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NEWS SUMMARY

GENERAL

S. Africa may face U.S. sanctions

The U.S. said it was consulting Western partners over possible sanctions against South Africa for freeing 39 mercenaries who ended their abortive Seychelles coup by hijacking a jet to Durban.

France said it was considering cutting air links with South Africa, and Britain said it was "seeking the facts" before making a statement. South Africa has shrugged off the flood of criticism, both international and domestic. Editorial comment, Page 24

Waldheim quits

U.N. Secretary General Kurt Waldheim withdrew his candidacy for a third term of office.

China nuclear bid

China and the EEC are considering wide-ranging co-operation in the extraction and processing of nuclear fuel. Back Page

Sinai progress

Europe's participation in Sinai's peace-keeping force came a step closer when Israel's Cabinet approved a U.S. compromise proposal to stop Jerusalem vetoing a European role. Page 3

House sales move

Norwich council house sales are to be taken out of the hands of the Labour-controlled city council and supervised by civil servants, environment secretary Michael Heseltine said. Page 8

SDP gains

The Social Democratic Party won control of Islington borough council while 11 councillors in Southwark defected from Labour to the SDP. Page 8

Ruling delayed

The Law Lords reserved judgment on the GLC's appeal on its cheap fares policy. Page 8, 6

Ulster inquiry

Ulster's chief constable launched an inquiry into allegations that members of the security forces supported Ian Paisley's "Third Force." Page 8

Nuclear cost fear

Sizewell B, Britain's first nuclear power station based on the U.S. pressurised water reactor, will cost substantially more than the same design built in the U.S. Page 6

'Firm was bogus'

Three chartered accountants set up a bogus partnership to camouflage the fact that they were breaking the rules of their professional association, the Court of Appeal said. Page 6

M6 caverns study

The Government has commissioned a £526,000 study into dangers from limestone caverns under the M6 motorway in the West Midlands.

Schmidt plea

Chancellor Helmut Schmidt appealed to the West German peace movement not to undermine U.S./Soviet talks in Geneva on limiting nuclear arms. Page 2

Cold Christmas

Up to 25,000 families will spend Christmas without heat or light because they cannot pay their fuel bills, fuel rights campaigners said.

Briefly . . .

Edward Scott was never offered immunity from prosecution for passing information, the Prime Minister said.

The Ciskei becomes independent of South Africa at midnight and faces international isolation. Page 25

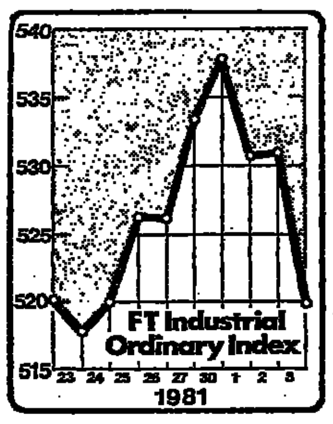
A bomb blast caused damage worth £50,000 at a car showroom near Swansea.

U.S. senate committee cleared CIA director William Casey of improper business dealings.

BUSINESS

Equities fall 11.1; Sterling off 1.8c

● EQUITIES selling was not particularly heavy but offerings found the market unwilling. The FT 30-share index fell 11.1 to close at 519.9. Page 38



● GILTS market took its cue from overnight weakness in U.S. bond prices. The Government Securities Index lost 0.25 to 64.05. Page 38

● WALL STREET was 0.33 up at 882.99 near the close. Page 36

● STERLING closed in London at $1.935, a fall of 1.8 cents on the day. It slipped to DM 4.32 (DM 4.3325), and to FFr 10.895 (FFr 10.9275). It was unchanged at SwFr 3.47 and rose to Y419.5 (Y419). Its trade-weighted index fell to 91.4 (91.8). Page 35

● DOLLAR rose to DM 2.232 (DM 2.218). FFr 5.632 (FFr 5.595), SwFr 1.7925 (SwFr 1.7775) and Y216.75 (Y214.5). Its trade-weighted index rose to 106 (105.5). Page 35

● GOLD rose $6.25 to $416 in London. In New York the Comex December close was $421. Page 35

● BANK OF SCOTLAND is expected to make its first appearance on the international capital market with a $100m (£52.63m) offer of 10-year floating rate notes. Page 30

● INLAND REVENUE overturned at its third attempt a tax-avoidance scheme which Burmah Oil claimed gave it a £160m allowable loss for corporation tax purposes. Page 7

● NORTH SEA OIL companies will have to spend about £40bn, at present day values, in the next nine years if the UK is to maintain a high rate of oil and gas production. Page 6

● MOBIL is negotiating with other oil companies a possible joint bid for Marathon Oil in an attempt to stay in the takeover race for the U.S. company. Page 19

● FRENCH GOVERNMENT has drawn up reorganisation plans for Empain-Schneider, the large engineering group whose financial problems threaten thousands of jobs. Page 31

● BIGGEST steel union broke off talks on British Steel's plan for local pay deals and warned of industrial action over redundancy notices issued at Port Talbot. Back Page

● VAUXHALL is offering its 5,000 white collar workers an extra 1 per cent pay-rise if they forgo the shorter working week planned by its 15,000 manual workers. Page 12

● GENERAL ELECTRIC'S taxable profits rose 30 per cent to £247.8m (£189.7m) for the six months to September 30. Back Page story and Lex, Companies Page 28

● ROYAL BANK of Scotland reported taxable profits of £107.9m for the year to September 30, an increase of 5 per cent. Page 26, Lex Back Page

● PLESSEY'S pre-tax profits improved to £51.26m (£38.57m) for the 26 weeks to October 2. Page 29, Lex Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Causton (Sir Jsph)	29	+ 3
Cowan de Groot	51	+ 6
Nimslo	155	+ 10
Pauls and Whites	153	+ 5
Scape	169	+ 7
Utd Wire	65	+ 18
Wilson (Connolly)	172	+ 12
Claremont Pet	42	+ 5
KCA Intnl	148	+ 6
Durban Deep	963	+ 60
Hartebeest	£28½	+ 2½
St Helena	£18¼	+ 1¼
Vaal Reefs	£53¼	+ 1¼
FALLS		
Exchqr 12pc 1998	£80	− ½
Barclays Bank	450	− 10
Boustead	109	− 7
Brown (J.)	59	− 5
Dawson Intnl	130	− 11
GEC	778	− 15
Glaxo	412	− 10
House of Fraser	174	− 5
ICI	264	− 10
Murray Tech Invs	78	− 7
NatWest Bank	388	− 10
Pilkington	266	− 10
Plessey	330	− 10
BP	326	− 12
Burmah Oil	121	− 4
NCC Energy	90	− 5
Shell Transport	396	− 6

Banks cut base rates to 14½%

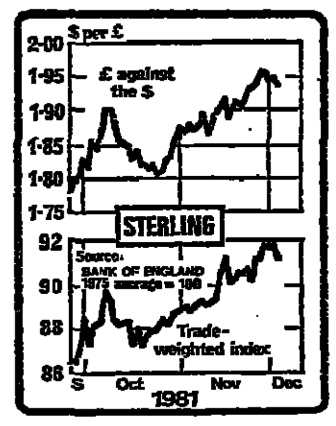
BY WILLIAM HALL, BANKING CORRESPONDENT

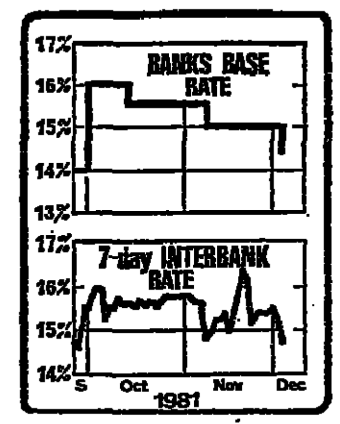
BRITAIN'S high street banks cut their base rates by half a percentage point to 14½ per cent yesterday. It is the third reduction in less than two months, and comes after a period when the Bank of England has kept the money markets comfortably supplied with funds, indicating that it is happy to see a gentle reduction in the cost of money.

It comes less than 24 hours after the economic package which the Chancellor of the Exchequer said was designed to "increase the prospects for a reduction in interest rates."

The fall in base rates, which reduces the cost of overdrafts for prime borrowers to 15½ per cent, had been expected for some time, and failed to inspire *the financial markets. The FT* Industrial Ordinary share index fell by 11.1 points to 519.9 and the gilt-edged market was half a point down at the longer end.

The combination of weaker short-term interest rates in the UK and another ¼ of a percentage point rise in three-month Eurodollar interest rates depressed sterling in the exchange markets. It ended the day 1.8 cents down against the dollar at $1.935. The pound's trade-weighted index as measured by the Bank of England fell 0.4 to 91.4.





National Westminster was again the first to cut its base rate and all the big banks had followed in hours.

Mr Jeff Benson, the bank's chief executive, said: "The underlying trends in interest rates here and abroad and the strength of the sterling exchange rate provide us with another opportunity to reduce the cost to our borrowing customers and, as before, we are keen to reduce our lending rates to industry as soon as possible."

UK money market rates have for some time been indicating scope for a further fall in the bank's base rates but this has been prevented by the big shortages in the money markets which have kept the cost of seven-day interbank money high.

However, over the past week and a half the authorities have appeared to inject more funds into the financial markets than the day-to-day shortages seemed to dictate.

Yesterday morning, the key seven-day interbank rate fell below 15 per cent for the first time since late September and the high street banks clearly felt this was all they needed to justify a cut in their base rates.

The Bank of England followed the market part of the way down yesterday in its dealing tactics, but appeared keen to prevent too sharp a fall in UK interest rates. In contrast with some recent days, it left the market short and supplied funds totalling only £64m, although there was a forecast shortage of £150m.

In addition it lowered its lower buying rate for bills in band two by *only ⅛ of a point*, to 14⅜ per cent.

Most big high street banks reduced their seven-day savings deposit rates by half of a percentage point to 12½ per cent. However, the Midland Bank cuts its seven-day rate by ¾ of a point to 12¼ per cent.

The equity markets saw widespread falls yesterday. The British Petroleum share price was 12p lower at 326p, and John Brown, another FT Index stock, was 5p lower at 59p, giving a two-day fall of close to a quarter.

Michael Cassell adds: The banks' decision is not likely to lead to an early reduction in building society interest rates.

Base rates have fallen back by 1½ points since the societies decided in October to raise the recommended mortgage rate, but *last night* they emphasised that the last round of interest rate increases was in response to a 4 per centage point rise in bank base rates.

Further falls in base rates could give the societies some room for reductions and pressure on them to move would undoubtedly be increased if the banks reduced their mortgage rates, which they did not do yesterday.

The Bundesbank has cut the special Lombard rate at which it lends overnight to banks from 11 per cent to 10½ per cent, Page 2
Fed intervenes, Page 4
After Howe's package, Page 6
Money Markets, Page 35
Lex, Back Page

Tories try to avert revolt on spending

By Peter Riddell, Political Editor

THE RUMBLINGS of discontent among Tory MPs about the Government's public spending measures showed no signs of dying down yesterday, as party managers contacted all backbenchers to assess how many might rebel.

One disillusioned backbencher said he would call for the resignation of Sir Geoffrey Howe, Chancellor of the Exchequer.

There was speculation among hardened backbench critics of the Treasury's policies that 15 or more MPs might abstain when the measures are debated next Tuesday. They could include former Ministers, such as Sir Ian Gilmour and Mr Peoffrey Rippon.

This would be a serious embarrassment for the Government, but no confirmation of numbers was available last night, and the MPs will not make up their minds until next week.

Other mainstream MPs were playing down the size of the revolt, saying it would be much smaller on the day. While many MPs might be critical, the belief is they will give grudging support to the Chancellor, at least until the spring Budget.

There is no doubt, however, that the Chancellor's statement on Wednesday left most depressed about the direction of economic strategy. These worries were apparently aired by senior backbenchers at private meetings last night.

One senior and influential backbencher said the Chancellor's presentation had been tired and unimpressive on Wednesday, and he would have to be much more convincing next Tuesday when the Commons debates the public spending measures. Otherwise, his position might be in question.

Party managers say that, while there may be a few critical speeches, there will be no sizeable revolt. The Government can influence any potential abstainers through its choice of the wording of the motion to be *debated*.

The main criticisms are likely to be about the proposed savings on unemployment benefit and the absence of measures to help industry.

The row over the public spending measures underlines present backbench discontent.

Prime Minister's questions, Page 8
Politics Today, Page 24

Foot denounces left-wing Bermondsey candidate

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

MR MICHAEL FOOT yesterday staked his authority as Labour leader on blocking the endorsement of an extreme left-winger as official Labour Party candidate for Southwark, Bermondsey.

Spurred on by the Social Democrats in the Commons, Mr Foot astonished Labour MPs by publicly denouncing Mr Peter Tatchell, the man selected last month by Bermondsey Labour Party as its candidate in what is almost certain to be a by-election next year.

Mr Foot said: "The individual concerned is not the endorsed candidate of the Labour Party, and, as far as I am concerned, he never will be."

Later he told Labour MPs the selection of Mr Tatchell, who has publicly advocated extra-parliamentary action to bring down the Government, raised the whole question of parliamentary democracy. "Parliamentary democracy is at stake. There can be no wavering on that," he said.

Mr Foot did not explain why he thought Mr Tatchell, a 29-year-old Australian, was so unsuitable. The main reason for his outburst, however, seems to have been an article in the left-wing newsletter London Labour Briefing.

In this Mr Tatchell described his selection as a "victory for everyone in the Labour movement who has worked to create the new-style of socialist party."

Mr Tatchell said in the Briefing that, in view of the size of the Government's majority, debates and parliamentary divisions were fruitless. In the circumstances Labour had to look to more militant forms of extra-parliamentary opposition, which involved mass popular participation, and to challenge the Government's right to move.

Mr Foot has always been a passionate defender of parliamentary democracy. The article seems to have convinced him Labour moderates have been right in warning of the danger to the party posed by the far Left.

Mr Foot's move delighted Labour moderates but infuriated the far Left, including some of those on the party's National Executive Committee. All the signs were Mr Foot had widened the rift between himself and constituency activities.

Now Mr Foot has to carry the national executive with him or risk seeing his authority weakened still further. On Monday Mr Tatchell's selection will come before the party's organisation committee for endorsement.

The same meeting will also consider a request from Mr Foot to look at the whole question of the Trotskyist Militant Tendency and other groups in the party.

Mr Foot may also try to persuade the committee to look again at the rules of party membership, to see whether they could be used to exclude people who do not believe in parliamentary democracy.

Normally candidates selected by their local parties are endorsed on the nod. Where there have been complaints about the way a candidate has been selected, the committee has an obligation to inquire, to see whether proper procedures have been adhered to.

Mr Foot effectively holds the balance of power on both the executive and the organisation committee, so he should be able to get an inquiry if he wants one.

His problem will arise if the committee decides the rules have not been broken in Bermondsey. Then, Mr Foot would

Continued on Back Page
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BL strikers urged to accept offer

BY ARTHUR SMITH

UNION leaders will today urge 4,000 strikers at BL's Longbridge plant, Birmingham, to end the tea-break dispute, which has halted car assembly at the factory for nearly four weeks.

Hopes are high that workers will accept a peace formula thrashed out in 12 hours of talks and resume production on *Monday*.

The management and unions refused to give details of the package last night, but both sides are thought to have given ground. The company is understood to have conceded that the cut in rest periods for track workers should be only five minutes a day rather than the 11 originally proposed. In return, assembly tracks will be speeded up to compensate for the capacity lost.

The deal appears to represent a straight compromise sent a straight compromise between the hard lines previously adopted by both sides. Union officials, who have called for a mass meeting inside the plant today, nevertheless believe that workers may take some persuasion to accept the complicated formula.

BL is known to have been concerned at the damage caused by the Longbridge stoppage. It still faces a test at Cowley, Oxford, where sections of workers are also expected to object to the proposed cut in relaxation allowance.

About 2,200 men walked out at Longbridge on November 3, when the company announced plans to cut tea breaks and rest periods from 51 minutes a day to 40 to finance the one-hour reduction in the working week. The management initiative *coming soon after the company's* success in imposing a 3.8 per cent pay award, provoked resentment.

Hhe dispute spread this week when th ecompany opened the gates on Monday and urged strikers to ignore union advice and report for duty. Sir Michael Edwardes, the BL chairman held consultations on Monday with Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers and Mr Grenville Hawley, national automotive secretary of the Transport and General Workers' Union.

Proposals that emerged from that meeting, involving staggered lunch breaks, were

Continued on Back Page

£ in New York

—	Dec. 2	Previous
Spot	$1.9500-9510	$1.9485-9505
1 month	0.44-0.44 dis	0.54-0.51 dis
3 months	1.13-1.08 dis	1.22-1.18 dis
12 months	1.80-1.75 dis	1.95-1.85 dis

BP reports improving trends

BY RAY DAFTER, ENERGY EDITOR

BRITISH PETROLEUM yesterday reported a "strong" improvement in the underlying trend of its business, particularly in the depressed oil products and chemicals sectors.

The company—the UK's biggest industrial enterprise—made a net profit of £203m in the July-September period, a £2m rise on second quarter results, although £6m less than in the third quarter last year.

BP said that when the effects *of inflation and the cost of re*placing stocks were taken into consideration, the results showed the marked turn-round in trading activities towards the end of the summer. On this current-cost basis, the company made a £42m profit for the quarter, compared with a £33m loss in April-June.

The City had expected better figures, particularly following the Royal Dutch/Shell Group's 8.4 per cent improvement in third quarter earnings reported a fortnight ago. As a result, BP shares fell 12p on the day to 326p.

BP said the main reason for the improvement was a "significant recovery" in the financial performance of the oil trading business, especially in Western Europe. The company had been helped by exchange rate movements, by a relatively stable and unified crude oil pricing structure, and by its refinery rationalisation programme.

The company has still to make financial provision for these refinery closures. About 25m tonnes of European capacity is expected to be shut in the coming months in an operation which, it is estimated, will cost BP more than £100m.

As a result of the changed conditions, BP cut its operating losses in the oil trading sector from £56m in the second quarter to £7m in the July-September period. BP Oil, the group's UK marketing operation, has reported that it is operating in the black.

The worldwide chemicals business made an operating loss of £47m in the third quarter, as against the previous quarter's £39m loss. BP said that its chemicals operation remained depressed because of low demand and excess industry capacity. However, European business improved in September as customers restocked and bought ahead of autumn price rises.

Coal activities have also improved. Higher prices and margins in Australia and South Africa boosted coal operating profits to £5m in the third quarter, improved cumulative results for the first nine months to break even.

But oil production in the North Sea and Alaska remained the mainstay of the profit, said BP. Output from both areas increased slightly and the value of output had also risen. Operating profit from the exploration and production activity rose from £530m in the third quarter of 1980 to £793m in July-September.

BP revealed that after recent appraisal drilling work, the estimate of recoverable reserves in its wholly-owned Magnus oil field in the North Sea had been increased by one-fifth to 565m barrels.

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GEC profits up, Back Page

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For latest Share Index phone 01-246 8026

Bundesbank eases interest rate policy

BY STEWART FLEMING IN FRANKFURT

THE BUNDESBANK yesterday took another cautious step in easing its high interest rate monetary policy. It cut the "special Lombard" rate at which it lends overnight to banks from 11 per cent to 10.5 per cent and announced it was making liquidity available to the money market at just over 10 per cent.

The cut in the "special Lombard" rate allows the Bank to satisfy partially complaints that high interest rates are adding to unemployment and choking the economy. The November unemployment figures are expected to show another sharp increase to about 1.5m and yesterday, the Federal Statistical Office indicated that the economy continued to stagnate in the third quarter with a rise in real gross national product of only 0.3 per cent.

Of greater practical impact on the cost of money, however, are the repurchase agreements which the Bundesbank is completing with the banking system. These will add considerable liquidity to the money markets at a rate of 10.2 per cent.

Herr Karl Otto Poehl, the Bundesbank president, said yesterday that, as a result, he expects money market interest rates to fall below 10.5 per cent and the "special Lombard" rate to become the upper limit for money market rates.

Thus overnight money market interest rates—around 11 per cent in recent weeks—are likely to fall to about 10 per cent. This may create some scope for further slight cuts in commercial bank lending rates.

The easing in monetary policy and the caution with which it is being pursued reflects several factors, not the least of which is the downward trend in interest rates in other industrial countries.

The Bundesbank wants to proceed cautiously in using the scope which an improving current account and lower U.S. interest rates offers. Yesterday, it announced that it is setting a 4-7 per cent growth target for its money stock next year, the same figure as for 1981.

Herr Poehl, however, held out the hope that improving inflationary trends will allow the bank to aim for the upper half of this range next year, but that depends partly on the result of the coming wage round. In 1981, with the Deutsche Mark weak, and a big current account deficit accelerating inflation, it has aimed for and hit the lower range of the target.

● The Swiss national bank said yesterday it is cutting Lombard rate by half a percentage point to 7 per cent from today, Reuter reports from Zurich.

David Housego and Terry Dodsworth meet France's ambitious new Planning Minister

Rocard quietly rebuilds influence

"I DON'T know if it will be possible," says M Michel Rocard, France's Minister of Planning, "but I would be prepared to write into the five year plan (1983-88) an economic growth target for France twice that of West Germany's."

Ambitious, fertile in ideas, intentionally provocative, M Rocard seemed to have suffered a major setback to his political career after he unsuccessfully challenged M Francois Mitterrand as the Socialist Party's candidate for the Presidency three years ago. But as one of the popular middle of the road "Social-Democrat" ministers in the Government and with still a substantial following in the Socialist Party, M Rocard has over the past six months been quietly rebuilding his influence and that of the Planning Ministry.

He reacts strongly against public statements by his ministerial colleagues implying that the Planning Ministry — M Rocard was put there partly to keep him out of the front line of executive authority — will have a subordinate role in deciding and implementing the policies of the much enlarged nationalised sector.

"In the spring," he says, "a bill will be put to the National Assembly setting out the procedures for drawing up the plan. At that moment we could have some difficult decisions on allocating responsibilities. Until those have been taken there is uncertainty. But I shall see there is no uncertainty after that. I may win or lose but I won't let the uncertainty continue."

M Rocard believes that the Ministry of Planning will have a substantial role to play. His idea is that the nationalised sector should be divided into two—public services, such as railways and utilities, on the one hand, and companies exposed to international competition on the other.

An inter-ministerial committee would translate the Government's priorities in the plan into contracts applicable to different state enterprises. The task of actually negotiating the contracts and seeing that they are carried out would lie with the ministers concerned. For example, the Transport Minister would deal with railways and the Minister of Industry would handle the manufacturing sector.

"But there will also be a record of these negotiations and a staff to prepare it. That will be the job of my ministry," M Rocard pointedly adds.

The Planning Ministry would also ensure that state enterprises followed common methods. Thus, the Planning Ministry would be concerned with the external balance of payments of each group: its exports and overseas requirements for patents and research licences; with the "social" policies it pursued; with its research policy; and with the decentralisation of investment. M Rocard adds that he has a front-line function in the latter area because of his shared responsibilities for decentralisation.

M Rocard stresses that state enterprises must be run on a competitive basis. If the state asks them to perform public services, like running uneconomic branch lines for the railways, then it must compensate them.

"I have a long standing friendly respect for Tony Benn," he says. "But I don't share his economic philosophy. Our philosophy is strongly competitive. . . . Each time the state asks a company to do more than sound competition would require of it, then the state must compensate it. . . . A company that is run at a permanent loss adopts a mentality of security that is no longer productive."

> Each time the state asks a company to do more than sound competition would require of it, then the state must compensate it. A company run at a permanent loss adopts a mentality of security that is no longer productive.

M Rocard clearly wants to restore planning to the eminence it achieved in France during the 1950s and 1960s, when it was synonymous with high economic growth. It later dent Giscard d'Estaing, who disliked the concept of planning because he felt it was too interventionist and smacked of Socialism. He also disliked the planners' austere policies of the time because they pointed to a lower standard of living.

In spite of his tongue in cheek ambition that the French economy should run at twice the pace of West Germany, M Rocard has not much faith in planning based on macro-economic forecasts. M Rocard's two-year intermediary plan (1982-83) has been criticised by employers' organisations and trade unions for its lack of an economic framework to help companies make decisions. More cynically, they believe it reflects some of M Rocard's possible doubts about the two years ahead.

M Rocard says that his decision to omit a macro-economic framework was deliberate and carefully weighed. He believes that macro-economic forecasts amid the present uncertainties of the world economy do not have much value and that, inevitably, the change of government in France has added an uncertainty of its own.

Rather than face the risk that such forecasts become untenable, he prefers to try to accustom French public opinion to the broad goals of 3 per cent growth a year over the next two years, a hoped for reduction in the rate of inflation and stabilising unemployment next year before bringing it down in 1983.

For M Rocard, the "great gamble" of the immediate future is whether private manufacturing investment will recover. "The strategy of the two-year plan," he says, "is based on private investment taking off. So is the Government's 1982 budget. One of the areas in which planned expenditure is to rise fastest is in the value of aid to industry."

M Rocard believes that the private sector's reluctance to invest is a "temporary psychological problem," reflecting employers' distrust of a Socialist government.

M Rocard is concerned that the higher growth will worsen France's import bill and hence its balance of payments.

He points out that France imports 24 per cent of what it consumes. In the long run the only answer, as he sees it, in this structural weakness are to make savings in the nation's energy bill and to develop French industry where imports are abnormally high — he mentions wood, leather and machine tools.

He believes the Government should take a strongly interventionist line over machine tools, slimming the industry to companies which can compete abroad or hold their own in the domestic market and abandon the rest.

M/Michel Rocard: believes he will have a substantial role to play.

Bonn hopes that German leaders will meet regularly

BY JONATHAN CARR IN BONN

THE BONN Government hopes that next week's meeting between Chancellor Helmut Schmidt and President Erich Honecker of East Germany will be the first of regular encounters. There have been no direct top-level contacts for more than a decade.

This was made clear here by Herr Egon Franke, the Minister for Inter-German Affairs, as Bonn sought to ensure that the level of public expectation for the coming meeting does not rise too high.

It was announced on Wednesday that Herr Schmidt and President Honecker will meet from December 11-13 at Werbellin-See, near Berlin, in East Germany. It will be the first such meeting on German soil since 1970, although the two men have had talks at international gatherings in Helsinki and Belgrade.

Herr Franke said yesterday that he believed top-level inter-German gatherings should gradually become as normal an event as a meeting between West German and other Western leaders.

The talks between Herr Schmidt and Herr Honecker should mark the start of this process, said Herr Franke, who will accompany the Chancellor, together with Count Otto Lambsdorff, the Economics Minister.

In a speech to Parliament yesterday, Herr Schmidt stressed that both sides were going into the talks without preconditions and it was not intended to sign any new accords during the meeting.

The Chancellor said he was keen to ensure that the discussions were not made more difficult by advance speculation. The key aim was to achieve "reasonable, good-neighbourly relations."

These and other comments indicate that Herr Schmidt will be using the talks mainly to discover how much domestic political room for manoeuvre Herr Honecker feels he has.

The absence of regular contacts has made it hard for the West Germans to judge the East German leader's position—and therefore to know how far East Berlin feels able to negotiate concessions.

Weinberger doubts Greece will close U.S. bases

FEZ—Mr Caspar Weinberger, the U.S. Defence Secretary, said yesterday he did not believe the new socialist Government in Athens would carry out its promise to close U.S. Nato bases in Greece. He made his remarks during a 12-day trip taking in Morocco, Turkey, Italy, Britain and the meeting of Nato defence ministers in Brussels.

The Greek Government has said it intended to withdraw from Nato's military wing if the alliance does not provide a guarantee against possible aggression from Turkey. It is also planning talks with Washington aimed at removing U.S. bases from Greece.

Mr Weinberger said yesterday: "We do not anticipate having to leave Greece and we have no reason to suppose that will be the case. I hope that on further reflection and awareness of the benefits to Greece of American participation, they would want us to stay."

The fact that Prime Minister Andreas Papandreou would be attending the Nato meeting next week showed that Greece took its defence very seriously, he said. Mr Papandreou is also Defence Minister.

He hoped to meet Mr Papandreou separately to impress on him the benefits of full participation in Nato and the need to maintain the strength of the Alliance's southern flank.

● Mr Eugene Rostow, director of the U.S. Arms Control and Disarmament Agency, said in The Hague yesterday that President Ronald Reagan shared Dutch feelings about peace.

"Ultimately, President Reagan shares your 'Hollanditis' . . . but we don't believe in unilateral disarmament. If you turn yourself into a sheep, you'll run into a wolf pretty soon."

Reuter

"I would rather remain in prison for a while, a free man, than remain outside as a prisoner," said Mr Bulent Ecevit, Turkey's former Prime Minister yesterday before entering the Ankara prison for a four-month sentence—the price of defying the military regime which took power 15 months ago.

"Those who are willing to pay the price for freedom, no matter how high, can be free under all conditions, he said.

Outside the prison gates, 300 people showered him with flowers, chanting: "Ecevit of the people." In October, Mr Ecevit broke a ban by the military on political statements by former politicians.

Employers' plea at Dutch talks

By Charles Batchelor in Amsterdam

DUTCH EMPLOYERS have demanded wide cuts in their social security burden. Their demand, made at the start of the opening round of the 1982 wage negotiations on Tuesday night, calls for a Fl 12.2bn (£464m) reduction in social security premiums paid by industry.

They also asked for the level of investment premiums to be maintained, for proposed increases in excise duty on beer and soft drinks to be dropped and for the scrapping of plans to impose a levy on incomes to fund investments. These would mean total savings by industry to Fl 4bn.

The employers' aim is to reduce the growth of wage costs next year to 4.5 per cent from the 6 per cent currently forecast.

They are opposing the Government's plan to restrict the compensation for higher prices given to those earning Fl 50,000 (£10,548) or more a year, and to limit the size of holiday bonuses. Instead they want a reduction in compensation for all income levels and for a cut in the amount of price compensation paid to those on social security.

The unions reacted critically to these proposals but Government ministers said they would consider them.

The employers' demands are expected to make it even more difficult to reach a nationally-negotiated framework for wage negotiations next year at industry and company level.

The unions are already strongly critical of many aspects of the Government's economic programme.

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Mauroy confirms pace of reform

BY DAVID HOUSEGO IN PARIS

FIVE IMPORTANT pieces of legislation have been put on next year's National Assembly programme by M Pierre Mauroy, the French Prime Minister, thus removing any doubts over whether the Government intends to keep up the momentum of reforms.

Earlier this week, M Jacques Delors, the Finance Minister, had suggested that there should be a pause in "the announcement of new reforms." He has since found himself under mild fire from the party faithful, fearful of a weakening of the Socialists' commitment to structural changes in French society.

The Prime Minister yesterday went out of his way to minimise the dispute, emphasising that it did not involve disagreements over policy. But the fact that he has put the Government's main legislative programme on record reflects serious differences within the Cabinet about the pace of change.

The five legislative projects will: define the powers and scope of the new provincial authorities in the light of the decentralisation programme; extend the nationalisation Bill to the three foreign groups (Roussel Uclaf, CII-Honeywell Bull, ITT France) not covered by existing legislation; reform the tax structure; reform the social security system; and introduce a new labour law setting out workers' rights.

M Delors had suggested that more time was needed for the tax and social security reforms which are to go before Parliament by next summer. PM Mauroy said yesterday that an important reason for urgency on the tax reform is to get rid of the "professional" tax on companies pay roll and installed equipment which the Socialists feel had an adverse effect on employment and investment.

State drops domestic loan plans

BY OUR PARIS CORRESPONDENT

THE FRENCH GOVERNMENT has decided not to launch new state borrowing on the domestic market this year, contrary to earlier indications by officials that a loan would be raised before the end of 198

The decision surprised dealers as the market had anticipated a further state loan this year to help finance the FFr 70bn (£6.4bn) budget deficit. They believe it reflects the Government's desire to avoid exacerbating the sluggishness of the domestic bond market, where prime paper is being taken up slowly.

Both a recent FFr 3bn loan by Credit Foncier at an interest rate of 17.40 per cent and a SNCF loan of FFr 1.8bn at 17.30 per cent have been slow to find buyers because the market remains unconvinced that the recent fall in rates will continue.

The Government has launched only one state borrowing since coming to power—a FFr 15bn loan at a record 16.75 per cent over six years, issued in September. In January the previous administration launched a FFr 10bn loan over eight years, bringing the total borrowing for the year to FFr 25bn. This compares with FFr 31bn raised in 1980 and FFr 20bn in 1979.

Gap widens between union and Warsaw

BY CHRISTOPHER BOBINSKI IN WARSAW

RELATIONS BETWEEN the Polish Government and the Solidarity union deteriorated further yesterday following the use of force against striking fire service cadets.

The union's ruling praesidium said yesterday that the action against the cadets proved that the authorities had rejected negotiation in favour of force.

They had, the union declared "for the moment eliminated any chance of national agreement."

Friction has also been increased by the lack of progress in peace talks between Solidarity and the Government and attempts to push a Special Measures Bill through Parliament. The Bill would empower the Government to introduce a ban on strikes and all public gatherings except religious meetings, tighten censorship and limit the right to travel.

The union charged yesterday that the Bill was "an attempt to wipe out the rights won in August, 1980," when Solidarity was formed after a wave of strikes.

Solidarity's leader, Mr Lech Walesa, yesterday met the heads of 40 regional branches in Radom, 100 kms from Warsaw, to discuss the union's next move.

The closed session in Radom precedes a full meeting of the national committee in Gdansk next week. Yesterday, Mr Walesa told union activists: "There can be no agreement in the present circumstances." But he maintained that a violent confrontation should be avoided and warned against the consequences of a general strike.

It seems that the union leadership is not clear about its next move. It is aware that strikes are becoming increasingly unpopular with the population but can see few other effective ways of forcing the authorities to make concessions.

In his speech Mr Walesa mentioned that the authorities had agreed to give Solidarity 10 one-hour periods on television to put the union's point of view.

Polish Radio yesterday repeatedly broadcast a speech by Mr Stefan Olszowski, a leading member of the politburo in which he defended the police action.

OSLO THREATENS TO CURB OFFSHORE MULTINATIONALS

Oil wage gap upsets Norwegian labour

BY FAY GJESTER IN OSLO

THE FOREIGN oil companies which operate Norway's oil and gas fields have come under heavy fire recently from both the Conservative Government and the Labour opposition.

They are being blamed — some would say unfairly — for the illegal strikes and leapfrogging wage claims which have plagued the offshore industry since late summer.

The companies, it is alleged, acted "irresponsibly" in yielding to production workers' wage demands after illegal strikes. By granting additional increases after wage disputes had in theory been settled through compulsory arbitration, they risked undermining the complicated Norwegian system for maintaining law and order in industrial relations, it is claimed.

This system, normally respected to the letter by both unions and employers, is given much of the credit for Norway's good record in preserving labour peace.

Labour politicians and leading trade unionists have used this debate as an argument in favour of strengthening the role of Statoil, the state oil company. One of the Conservative's election promises was that other oil companies — including foreign concerns — would be given greater scope on the Norwegian North Sea shelf, while Statoil would become less dominant.

Norwegians believe that there are two main reasons why foreign oil companies so readily give in to production workers' wage demands. Firstly, wages account for only a fraction of their total operating costs. Secondly, wage costs, like most other operating expenses, are fully tax deductible.

Oil company taxes are so high that about 85 per cent of any increase in wage bills is passed straight on to the state in the form of reduced oil tax revenue.

Pay increases now being negotiated as the result of recent wildcat strikes are expected to push offshore wages even further above those for comparable jobs on land.

The Government fears this will lead to inflated wage demands by mainland workers in next spring's round of wage bargaining, thwarting official hopes for moderate pay settlements, which could help restore the competitiveness of Norwegian industry.

Mr Kaare Willoch, the Prime Minister, and several of his cabinet colleagues have threatened stern measures to restore order to the offshore labour market, including revised tax rules to increase oil companies' cost awareness.

In a Storting (parliament) debate this week, Mr Vidkunn Hveding, the Oil Minister, promised that the "wages blow out" would be brought under control. His promise followed proposals put forward by an MP in the Centre Party, which backs the minority Government on most issues.

The MP, Mr Reidar Due, outlined a new strategy to cope with the problem, including a common wages system for all Norwegian offshore workers, based on mainland rates with the addition of a "North Sea bonus."

In addition, said Mr Due, employers must be encouraged to resist pressure from militant employee groups, even if it meant facing a strike. He proposed changes in tax rules to give employers more incentive to hold down wages and said activity on the Norwegian shelf must be kept at a level which did not put "unreasonable pressure" on the market for rig crews. This last suggestion echoes Centre Party policy, which favours a slow pace of petroleum exploration and development.

Mr Hveding, whose government is planning to step up exploration off northern Norway, would not comment specifically on Mr Due's proposals, although he said after the debate that they would be "considered."

The growth of rival unions, particularly on the production platforms, has contributed to confusion offshore. Traditional groups affiliated to the Trades Union Congress (TUC) normally stick to bargaining rules and have to compete for members with the new, freewheeling, independent oil unions.

These so-called "house unions" were formed as a direct result of oil company policy aimed at minimising the influence in the North Sea of the LO, Norway's TUC.

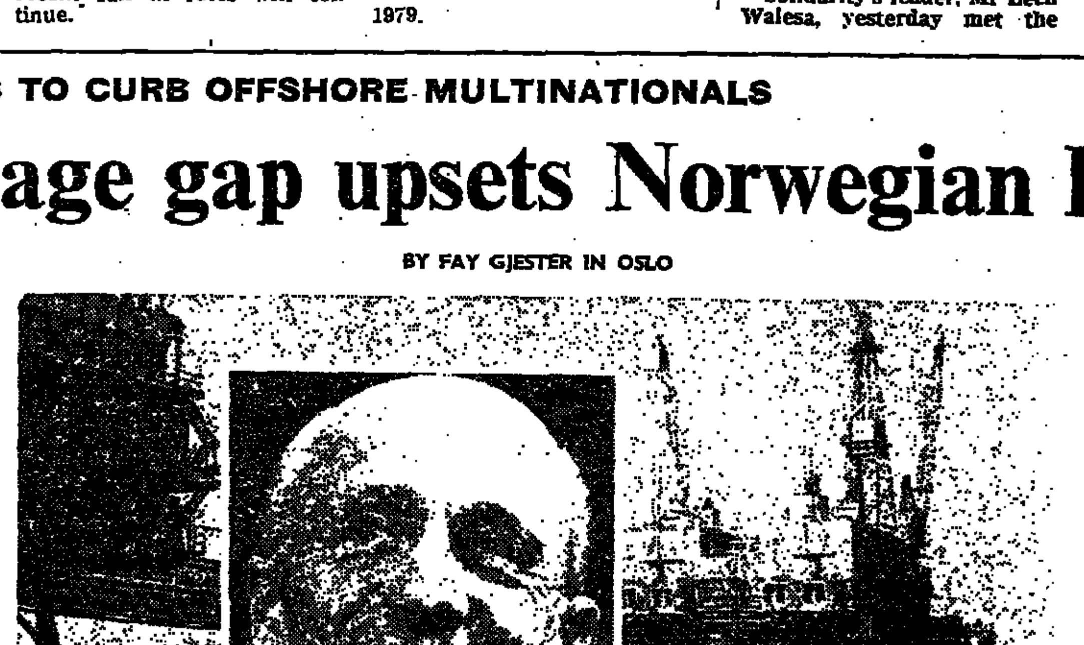
In fact, they have turned out to be far more militant than the LO federation. Their success has encouraged the officers and crews of Norwegian-owned mobile rigs, previously organised in four LO-affiliated maritime unions, to form their own hard line group, the "shipping company oil employees' union." They hope the new group will help them achieve wage parity with the better-paid production workers.

Angered by this development, the LO is planning an "extensive analysis" of the way foreign oil companies have operated in Norway. Mr Tor Halvorsen, the LO chairman, said Mobil, operator on the giant Anglo-Norwegian Statfjord Field, would be the first company to come under scrutiny.

Mr Halvorsen also urged the Government to take a new look at North Sea tax rules and concessions. If Norway allowed itself to be "run over" by the multinationals, it would be disastrous for the trade union movement and Norwegian society as a whole, he declared. Companies given stakes on the Norwegian shelf must undertake to respect Norway's wage bargaining rules.

In a speech at a trade union meeting, Mr Halvorsen criticised Mobil, suggesting that the company had deliberately held back technological know-how which Norway needed.

"The Willoch Government does not appear to have foreseen the consequences of its policy of weakening Statoil's role," he said. "By deliberately rewarding groups not affiliated to the LO . . . (the foreign oil companies) reduce our chances of organising employees." The foreign oil companies' strategy affected national incomes policy, he pointed out, because it led to inflated wage claims on land. The LO would demand that operator responsibility on the Statfjord Field be transferred to Statoil "as soon as possible," Halvorsen concluded.



Kaare Willoch: threatened stern measures to restore order to the offshore labour market

OVERSEAS NEWS

Agreement over Sinai force depends on EEC

BY DAVID LENNON IN TEL AVIV

EUROPEAN participation in the Sinai peace-keeping force came a step closer yesterday when the Israeli Cabinet approved a U.S. compromise proposal designed to stop Jerusalem from vetoing a European role in the multinational force.

Confirmation of European participation in the force to police Sinai after the final Israeli withdrawal in April now depends on the response of the EEC states to the terms of the compromise.

However, the crisis is not yet over because Israel has not decided what form acceptance by the four European nations must take. A senior official said here yesterday that "just to remain silent is not enough."

Mr Uri Porat, the Prime Minister's spokesman, said after the Cabinet meeting that the Europeans will have to say "one way or another" that the principles are clear to them, though "they will not necessarily have to say this publicly."

A special Cabinet session approved a joint U.S.-Israeli statement of conditions for participation in the Sinai force, basing it solely on the Camp David accords and the Egypt-Israel peace treaty.

Britain, France, the Netherlands and Italy will be asked to confirm their acceptance of the principles in the statement. This would be regarded by Jerusalem as counter-balancing European linkage of its offer to the EEC's Venice Declaration, which calls for Palestinian self-termination and involvement of the Palestine Liberation Organisation in the peace process.

Israel rejects the Venice Declaration and warns that mention of it in connection with the Sinai force would lead to a veto. Only intensive American pressure prevented Israel rejecting the European offer at the beginning of this week.

The Jerusalem official made it clear that Israel did not expect Europe to change its whole Middle East policy: "You can play a game even if you do not believe in the rules of that game as long as you follow the rules," he said.

Charles Batchelor adds from Amsterdam: The Netherlands expects problems in providing its contingent in the peace keeping force. *If Parliament insists that the Dutch force is composed entirely of volunteers, then the Netherlands would have to give up the idea of participating, Mr Hans Van Mierlo, Defence Minister, said yesterday.*

There are increasing difficulties in finding enough volunteers for the Dutch detachment with the Unifil forces in southern Lebanon. About 30 of the 150 professional soldiers in Lebanon have been posted against their will, although all the 650 conscripts volunteered for duty.

Mr Van Mierlo told the Parliamentary committees for defence and foreign affairs that the Netherlands hopes to limit its involvement in Sinai to two years.

Mugabe lifts Zimbabwe minimum wage 67%

BY TONY HAWKINS IN SALISBURY


Mr Mugabe: wage rise will narrow the gap between rich and poor

PAY INCREASES of 66.6 per cent for farmworkers and domestic labour and a total pay freeze on groups earning above Z$20,000 (£14,300) a year were announced yesterday by the Zimbabwe Prime Minister, Mr Robert Mugabe.

Mr Mugabe said the pay package was designed to narrow the gap between rich and poor by giving the largest aid pay increases to the poorest paid in agriculture and private domestic service, where the minimum wage will rise from January 1, 1982 to Z$50 a month (£36) from Z$30.

There were, the Prime Minister said, no grounds for retrenchment as a result of these measures, adding that sacking workers would not be permitted.

The minimum wage for industrial workers and miners is being raised 23.5 per cent to Z$105 from Z$85.

At higher income levels, a graduated scale of maximum pay increases will apply, starting at 23.5 per cent for those earning up to Z$1,200 (£860) to a total pay freeze for incomes of Z$20,000 or more.

The pay package received a mixed reception from the business sector. A spokesman for the country's 6,000 mainly white commercial farmers, who employ about 30 per cent of the 1,050,000 people in employmnet described the 66.6 per cent minimum pay rise as "unsustainable" without substantial increases in producer prices for farmers.

Although there was no immediate reaction from the mining sector, it is clear that the pay award will not be well received their either, as major mines such as Wankie Colleiry, MTD Mangula Copper mine and Zimbabwe Alloys have recently announce sharp falls in profitability.

A spokesman for industry, which employs about 15 per cent of the labour force, said the new minimum wage was "fair and reasonable" for a full-trained and productive industrial worker. But the pay package did not accommodate the school leaver or the unskilled person.

For agriculture, a spokesman warned that the pay rise could cost as much as Z$80m (£57m) annually, and criticised the Government for ignoring recommendations, of the Ridell Commission on Prices and Incomes, that there be a planned programme of minimum wage reform over a period.

Financial observers point out that real wages in the Zimbabwe economy have been falling this year, due to inflation estimated to be runing at 15 per cent annually.

Sri Lanka workers in limbo

By Mervyn de Silva in Colombo

TWO agreements between India and Sri Lanka which sought to resolve the vexed question of citizenship for nearly 1m Indian Tamil plantation workers have run into serious trouble.

Since independence in 1948, Sri Lanka has argued that members of the migrant labour force brought in by the British last century are Indian citizens. Delhi, however, held the view that the indentured labour was a British responsibility. The workers are now stateless.

Protracted negotiations resulted in the "Sirima-Shastri Pact" signed by Mrs Sirima Bandaranaike and Mr Lal Bahadur Shastri in 1964, under which India agreed to grant citizenship to 525,000 and repatriate them.

Sri Lanka in the meantime was to confer citizenship on 300,000 and respective obligations would be fulfilled on a seven to four ratio over 15 years. In 1971 the balance of 100,000 workers was split 50-50 between the two countries under an agreement signed by Mrs Gandhi and Mrs Bandaranaike.

The 17-year pact came to an end on October 31. So far only 280,000 of the 600,000 which Sri Lanka had hoped to repatriate to India have left the island. Sri Lankan citizenship has been given to 160,000, whereas Sri Lanka is obliged to confer citizenship on 375,000.

Mr Shaul Hameed, the Foreign Minister, told Parliament last night that Sri Lanka did not accept that the two agreements were "dead."

Tax cut pushes up Libya's oil production

BY PATRICK COCKBURN

LIBYA is to raise its oil output substantially to some 900,000 barrels a day (b/d) as a result of a reduction in the tax paid by oil companies, according to oil industry officials. The rise in oil revenues will ease the *financial problems facing Libya as result of a drop in its crude exports.*

Resistance to the high price of Libya's crude led to its production declining from 1.8m b/d in April to 600,000 b/d in October as companies stopped lifting oil.

To reverse this trend, Libya offered last month to reduce tax on equity oil by 80 cents to $1 from the official Libyan selling price of $37.50. This has led to Marathon, a member of the Oasis group, and ENI of Italy to start lifting crude again under a two-month agreement which ends at the beginning of next year.

Exxon has already announced that it is pulling out of Libya but it is now looking less likely that Mobil will follow suit. Conoco and Amerada Hess, the other two U.S. members of the Oasis group, are still negotiating. Wintershall, the West German oil company, has already signed an agreement for 10,000 b/d at $36.22 a barrel, according to diplomats in Tripoli.

Oil companies are still waiting to see if Libya and Algeria will cut their official selling price by $1 to $36.50, the same as Nigeria, at next week's Organisation of Petroleum Exporting Countries meeting in Abu Dhabi to raise revenues rapidly. Libya will need to cut the price of its oil on sale to third parties.

Low revenues have already led to a slowdown in payments to foreign contractors and suppliers working in Libya, and oil revenues this year are likely to be only some $14-16bn compared with $24bn in 1980.

The Government is reducing the import of some items such as cars and has banned the import of 83 tyes of goods such as chickens and biscuits which can be produced in Libya.

China attacks U.S. over Taiwan arms sale

BY TONY WALKER IN PEKING

CONTINUING Chinese criticism of apparent U.S. equivocation over arms sales to Taiwan is taking on the resonance of a cracked record. Hardly a day passes without fresh reference in the media to the issue.

China is now seizing on statements by almost any American organisation or individual to continue its attack on the Reagan Administration over Taiwan.

Editorials in the Wall Street Journal and the New York Times have been criticised and, in the latest burst, a long Xinhua commentary from Washington responded to a letter in the Washington Post.

The Chinese seem intent on forcing the issue, at the risk of stirring the anger of the U.S. Administration, apparently in the belief that nothing will be served by "quieter" diplomacy.

The confrontationist approach was exemplified by statements made recently by Deng Xiaoping, party vice-chairman and chief sponsor of closer ties with the U.S., who told a visiting Hong Kong newspaper editor that China could live without America.

"Even if relations deteriorate to a level below that of 1972 China will not collapse," Deng told Louis Cha, editor of the Hong Kong independent newspaper, Ming Pao. "We didn't collapse then and we certainly won't collapse now."

Deng noted that China had also managed without Russian assistance after Moscow cut its economic aid in the late 1950s.

The latest criticism has been directed at Mr Ray Cline, a former foreign policy adviser to Mr Reagan, who wrote to the Washington Post late last month advocating what Peking describes as a "two Chinas" approach to the Taiwan issue.

Mr Cline, an academic at Georgetown University in Washington, has been the target of a number of spirited commentaries in the Chinese media.

Without naming him, a Xinhua commentator described Mr Cline as a "presumptuous overlord" who had gone so far as to say the decision on Taiwan should be made in Washington, not in Peking.

"That is tantamount to saying that in matters concerning Taiwan, which is a territory of China, China is supposed to obey orders from Washington and has no position in the decision. What undisguised arrogance," wrote the commentator.

"Indeed, in the United States, there are people who live in the 1980s but still believe that China's sovereignty is limited and that of the United States is boundless. The idea that the United States has a right to meddle in China's affairs reminds people of the theory of limited sovereignty invented by Brezhnev."

This is the second time in a week the official Chinese media has bracketed the U.S. with the Soviet Union as a target for criticism. On Tuesday, China accused Moscow and Washington of spreading "lies" about alleged Chinese uranium sales to South Africa.

Referring to reports that had appeared in the American and Russian media about the alleged sale of nuclear materials to South Africa, the commentator suggested the super powers were performing a "duet" in spreading the story.

The tone of recent commentaries on the Taiwan issue certainly indicates a hardening of Chinese attitudes, and there now seems little doubt that there would be a sharp negative response from Peking should the sale of advanced fighter planes to Taiwan go ahead.

Singapore central bank head named

By Kathryn Davies in Singapore

THE SINGAPORE Government has appointed Mr Richard Hu as managing director of the republic's Monetary Authority (MAS), the country's central bank.

Mr Hu, who is currently chairman and chief executive of Shell in Singapore, will also become managing director of the Government of Singapore Investment Corporation (GSIC), set up in June this year to manage Singapore's surplus reserves, estimated to have a market value of between $20bn and $25bn.

The news of Mr Hu's appointment will bring some stability to MAS, which received an unprecedented shake-up earlier this year, following criticism by Dr Goh Keng Swee, Deputy Prime Minister, who accused it of "giving insufficient weight to management of assets held as long-term investments.

A former managing director of MAS, Mr Michael Wong Pakshong, and the chief manager of the International Department, Mrs Elizabeth Sam, resigned in January. Several other senior staff also lost their jobs.

Shortly afterwards the Government engaged N. M. Rothschild to advise on the re-organisation of the International Department and on the structure of the new investment corporation.

Mr Hu will replace two temporary appointees in 1983. Mr Yong Pung How is currently on secondment from the Overseas Chinese Banking Corporation to the GASIC for one year and Mr Lim Kim San, a former Cabinet Minister, is part-time managing director of the MAS.

● Below: Mr Hu

Israel welcomes Zaire diplomatic pledge

BY OUR TEL AVIV CORRESPONDENT

ISRAEL yesterday welcomed the statement by President Mobutu of Zaire that he is willing to restore diplomatic relations with Jerusalem, which were broken during the 1973 Middle East war.

President Mobutu made the pledge after meeting President Ronald Reagan in Washington yesterday, but added that while he was ready for an immediate resumption of relations, he preferred to wait and see how other African states treated this issue.

Officials here said they did not expect an immediate resumption of relations with black African states, but were not surprised at President Mobutu's statement. Israel's Defence Minister, Mr Ariel Sharon, briefly met the Zairean President in Washington this week and, according to unconfirmed reports, he also visited Zaire two weeks ago.

COMPANY NOTICES

NOTICE OF REDEMPTION

To the holder of notes payable in United States Dollars of the issue designated FLOATING RATE NOTES DUE 1985 PRIVREDNA BANKA ZAGREB, second redemption due January 11, 1982 of US$2,500,000.

Public notice is hereby given that PRIVREDNA BANKA ZAGREB intends to and will redeem for mandatory redemption purposes on January 11, 1982 pursuant to the provisions of section 5 of the notes, the following notes of the above mentioned issue, at 100 per cent of principal amount plus accrued interest to redemption date, namely January 11, 1982.

12	13	14	24	67	71	74	78	88	89	115	122	125	137	139	140
154	175	178	198	203	210	215	223	240	249	251	279	284	291	309	341
347	351	363	372	386	392	393	397	408	418	431	433	439	459	466	475
438	490	530	533	534	535	544	547	550	563	585	589	609	622	631	635
636	639	650	673	692	697	709	724	730	745	750	755	759	767	784	799
804	812	813	820	821	833	842	858	862	898	902	910	916	920	923	935
953	987	991	996	1008	1012	1015	1044	1046	1051	1053	1055	1074	1075	1121	1133
1138	1145	1156	1159	1169	1171	1178	1184	1236	1247	1253	1254	1271	1278	1279	1286
1288	1296	1318	1320	1327	1346	1359	1381	1365	1367	1370	1388	1401	1425	1448	1452
1475	1480	1482	1484	1485	1495	1506	1507	1527	1529	1556	1559	1566	1576	1579	1598
1620	1635	1638	1646	1650	1668	1686	1693	1695	1698	1701	1726	1743	1749	1752	1765
1781	1789	1793	1795	1814	1822	1832	1854	1855	1857	1858	1884	1877	1890	1902	1918
1929	1931	1932	1938	1969	1972	1984	1986	2013	2020	2034	2037	2065	2068	2074	2085
2086	2092	2104	2120	2138	2140	2141	2146	2155	2156	2194	2196	2200	2206	2228	2238
2252	2272	2274	2288	2293	2298	2312	2327	2335	2338	2346	2354	2356	2381	2387	2391
2400	2413	2414	2439	2445	2475	2489	2491	2496	2497	2513	2516	2542	2551	2555	2564
2569	2570	2591	2592	2607	2615	2632	2638	2644	2657	2661	2676	2686	2697	2709	2710
2716	2733	2753	2754	2763	2772	2789	2795	2800	2803	2825	2830	2850	2862	2868	2873
2878	2884	2901	2906	2920	2921	2926	2937	2940	2949	2983	2988	3013	3016	3018	3021
3042	3048	3070	3078	3089	3091	3108	3113	3156	3164	3175	3180	3182	3185	3194	3196
3226	3231	3232	3235	3245	3260	3279	3280	3283	3298	3307	3329	3330	3331	3336	3363
3378	3387	3388	3396	3402	3412	3440	3441	3445	3459	3474	3468	3492	3495	3513	3538
3550	3557	3560	3564	3565	3589	3590	3593	3600	3605	3609	3633	3635	3638	3645	3682
3693	3695	3716	3738	3750	3751	3756	3763	3769	3770	3773	3774	3819	3830	3843	3849
3855	3857	3874	3882	3885	3897	3913	3917	3918	3921	3940	3961	3973	3974	3982	3987
4012	4026	4027	4049	4065	4068	4071	4074	4083	4091	4103	4117	4119	4124	4132	4140
4160	4170	4178	4186	4215	4213	4229	4232	4247	4264	4267	4278	4287	4295	4314	4329
4353	4358	4366	4367	4373	4378	4396	4397	4415	4421	4452	4462	4469	4470	4479	4484
4492	4497	4519	4520	4524	4536	4548	4552	4568	4570	4575	4593	4603	4611	4613	4615
4618	4621	4632	4674	4677	4686	4704	4708	4709	4736	4758	4769	4785	4786	4788	4797
4805	4816	4817	4819	4842	4846	4847	4849	4856	4875	4913	4925	4932	4935	4937	4940
4946	4959	4960	4968.	5005	5012	5017	5027	5035	5047	5054	5080	5063	5075	5116	5131
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The notes specified above are to be redeemed by mandatory redemption at the office of Bank of America International S.A., Luxembourg, Arab Finance Corporation S.A.L., Beirut, Swiss Bank Corporation, Basle. On or after January 11, 1982, interest on said notes will cease to accrue. The said notes should be presented and surrendered at the offices set forth in the preceding paragraph with coupon due July 12, 1982, and subsequent attached.

For Privredna Banka Zagreb
By Bank of America Int'l.
Société Anonyme
Luxembourg
(Fiscal Agent and Principal Paying Agent)

Luxembourg, December 1, 1981

AMERICAN NEWS

Senate rejects MX missile silo plan

BY DAVID BUCHAN IN WASHINGTON

THE U.S. SENATE has overwhelmingly registered its disapproval of President Ronald Reagan's interim plan to put the new MX nuclear missile in concrete-hardened land silos. It has also given him less time than he wants to come up with a final decision on its deployment.

Senators said they had no quarrel with the MX missile project itself and left untouched the 1981-82 Defence Bill allocation of $2bn for its development and production. But by a vote of 90 to 4, the Senate directed that virtually all of this year's funds for study on the basing of the MX—$334m out of $354m—should be spent on reviewing how to make the MX mobile, rather than placing it in fixed silos.

Mr Reagan decided in October to scrap former President Jimmy Carter's plan to rotate some 200 MX misisles around several thousand shelters in the Nevada and Utah desert. Instead, he proposed that as a stop-gap measure, some MXs should be put into existing silos, housing obsolescent Titan rockets, until the Administration decides in 1984 on their final resting place.

The interim silo plan has received little support in Congress, where it has been argued that even toughening silos to withstand 5,000 lb per square inch of blast would not make them much less vulnerable to Soviet rockets. The Reagan plan received only lukewarm backing from the few who bothered to defend it.

Senator Jake Garn, who has a vested interest in keeping the MX shelter system out of his state of Utah, said: "With a super-hardened silo, we do buy some additional survivability—but not a great deal."

The Senate amendment, which is not yet in the House of Representatives' version of the new Defence Bill, also directed the President to come up with a long-term alternative for the MX by July 1983.

Among the options being considered for the MX—a major weapons system which will figure in any resumed strategic arms negotiations with Moscow—are basing it on large transport aircraft, putting it in Trident submarines, digging it into deep holes on the sides of mountains, or putting it in fixed land silos with a ring of anti-ballistic missiles around it.

Each of these long-term options is acknowledged to carry drawbacks; however, President Reagan's immediate problem is not choosing between them, but coming up with an interim plan for the early to mid-1980s which will satisfy Congress.

On its other controversial nuclear plan—revival of the B-1 bomber project which former President Carter cancelled in 1977—the Administration has so far done better. Efforts by Democratic Senators to switch proposed funds for the B-1 into other military programmes were defeated this week.

Mexico to avoid devaluation

BY WILLIAM CHISLETT AND PETER MONTAGNON IN MEXICO CITY

MEXICO is to accelerate the regular depreciation of its currency next year in an effort to ward off the need for a major devaluation, senior government officials said yesterday.

The peso will be allowed to drop by between 17 and 18 per cent against the U.S. dollar in 1982, compared with a fall of about 12 per cent this year. At present there are 25.75 pesos to the dollar.

The peso is generally regarded as heavily overvalued as its rate of depreciation in the past has not kept pace with the difference in inflation notes between Mexico and the U.S., its major trading partner. Mexico's inflation rate, at 28 per cent, is now about 2½ times that of the U.S.

Mexico's growing current account deficit and setbacks in the tourist industry have prompted fears that a major devaluation will be necessary next year, when there are presidential and general elections, under a programme of political reform.

Government officials admit that a large devaluation would be politically damaging to the long ruling Institutional Revolutionary Party (PRI) and would set an embarrassing pattern for speculators. The peso was devalued by 45 per cent in 1976 soon after the last general election.

Besides allowing a quicker depreciation of the peso, Mexico is also trying to maintain an interest rate differential with the U.S. of a similar amount to avoid massive capital flight. The officials said they feared that any upturn in U.S. interest rates could spark off heavy outflows of capital. About $4bn (£2.05bn) is thought to have left the country during the summer when U.S. interest rates were very high.

Peso deposit rates stand at about 34 per cent and banks are charging top industrial borrowers more than 45 per cent for peso credit. These levels are thought to be as high as the economy can bear.

N-plant owner files $4bn suit in U.S.

By Paul Betts in New York

GENERAL Public Utilities, the owner of the troubled Three Mile Island nuclear plant, has filed a $4bn (£2.05bn) law suit in a Federal court against the Nuclear Regulatory Commission (NRC), the U.S. government agency which regulates the nuclear industry.

GPU said yesterday it was seeking to recover from the Government more than $4bn in damages suffered by the utility, its customers and shareholders as a result of the accident at the plant in March, 1979.

The utility filed a similar claim for damages directly with the regulatory agency at the end of last year, but the agency denied it.

The utility alleges that negligence and omissions by the agency in the performance of its responsibilities were causes of the accident. The utility specifically charges the agency with failing to give GPU and other utilities a warning, based on an earlier nuclear plant incident, that would have prevented the Three Mile Island accident.

GPU alleges that agency inspectors and officials learned of a malfunction at a plant in Ohio 18 months before the Three Mile Island accident. This malfunction, involving a pressuriser valve connected to the reactor's cooling system, was similar to the incidents which led to the Three Mile Island disaster at Harrisburg, Pennsylvania.

GPU is seeking, among other damages, $1bn from the Government for the clean-up of the damaged Unit Two complex at Three Mile Island. It is also seeking $1.6bn to recover the replacement power costs for the damaged unit and the other undamaged Unit One, which has been shut down by the NRC since the accident.

GPU has long campaigned to be allowed to restart the undamaged Unit One, but has failed both to receive the necessary approval and government aid to help it clean up the damaged plant.

Argentine nuclear plant concern

BY DAVID TONGE IN LONDON AND HUGH O'SHAUGHNESSY IN ST LUCIA

THE INTERNATIONAL Atomic Energy Agency is to ask Argentina for fresh safeguards on a fuel reprocessing plant due to be completed early next year.

The plant, at Ezeiza near Buenos Aires international airport, is based on a smaller pilot plant for which the Argentinians had accepted IAEA safeguards.

The larger plant could be used to help develop a nuclear bomb. Last night a spokesman for the Vienna-based IAEA said: "We will discuss with the Argentinians whether to re-evaluate the safeguards on the bigger programme."

Some Argentine officers have long wanted their country to develop nuclear weapons. In July Admiral Carlos Castro Madero, head of the National Atomic Energy Commission, said: "We have the ability to make a bomb but have not taken a political decision. . . . We do not rule out the possibility of a peaceful bomb for research."

Yesterday, however, Dr Oscar Camilion, the Argentine Foreign Minister, told the Financial Times in St Lucia that it was "preposterous" and "absolutely false" to suggest his country would have a nuclear weapon by the end of next year.

The suggestion was made in the London magazine The New Scientist yesterday, which cited "intelligence experts in the U.S."

Argentina opened the first commercial nuclear power station in Latin America in 1974 and is now building two further stations and a heavy water plant. All these are under IAEA safeguards.

El Salvador rebels renew call for talks

By Hugh O'Shaughnessy in Castries, St Lucia

THE LEFT-WING Salvadorean insurgents have renewed their call for negotiations with the military-backed junta of President Jose Napoleon Duarte for an end to the fighting their.

The call was made by the FMLN/FDR opposition alliance at the annual assembly of the Organisation of American States.

American Motors call for pay concessions rejected

BY DAVID LASCELLES IN NEW YORK

THE UNITED Auto Workers' Union yesterday rejected a request by American Motors Corporation, the smallest of the major U.S. car makers, for pay concessions to help the company through its difficulties.

The rejection came as no surprise. Even though the car industry is in deep trouble, the law has consistently refused to talk about concessions, especially given the fact that the three-year industry wage contract comes up for renegotiation next year.

AMC, which is controlled by Renault of France, has been making large losses. Senior executives have warned that future products will be jeopardised unless the workers take pay cuts.

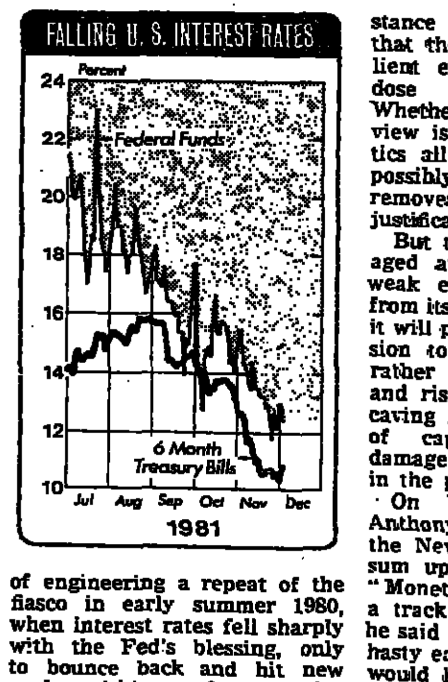
The company had asked its workers to forgo future pay and benefits amounting to a 10 per cent wage increase in exchange for stock in the company. In effect, AMC was asking its employees for a $150m (£77m) loan.

DECLINE IN U.S. INTEREST RATE FALTERS

Fed caution makes Wall St jittery

BY DAVID LASCELLES IN NEW YORK

THE SPECTACULAR decline in U.S. interest rates greeted with such relief all round the world has shown signs of flattening out in the past few days. If anything, some interest rates have gone back up again.



One reason is that U.S. companies are scrambling to take advantage of lower borrowing costs to sell bonds they have been storing for months. But there is also a feeling on Wall Street that the Federal Reserve is being specially cautious about allowing interest rates to come down too fast for fear of creating new problems for itself.

Not that the Fed is trying to stand in the way of the markets. It has already cut the discount rate (the rate at which it lends money to banks) from 14 per cent to 13 per cent and it wiped out the 4 per cent surcharge it slapped on regular big bank borrowers. Welcome though all these moves were, they lagged behind events. At best, they meant the Fed was happy to see interest rates coming down, but was certainly not going to take the lead.

What worries Wall Street, however, is that the Fed has now stopped offering even this modicum of encouragement. More than a fortnight has passed since it flashed its last green light by scrapping the surcharge. Nor has it used other means at its command, like pumping extra money into the banking system to nudge things along. With hopes of a further early cut in the discount rate fading, Wall Street is getting a bit jittery.

The Fed has kept unusually quiet about its thinking all this time. Mr Paul Volcker, the chairman, has not made a major speech for a month, so the Fed-watchers' task has been harder than usual. But analysts trace the Fed's caution to several things.

One undoubtedly is its dread of engineering a repeat of the fiasco in early summer 1980, when interest rates fell sharply with the Fed's blessing, only to bounce back and hit new peaks within a few months. This time, the Fed seems set on bringing interest rates down in an orderly fashion with no embarrassing surprises, even if this means keeping Wall Street on a tighter leash than it would like.

Another concern is the Fed's perpetual nemesis, the money supply. In spite of the trough into which the economy seems to be slithering, the money supply has jumped upwards three weeks running. While M1-B, the main money supply measure, is still comfortably below target, the broader measure M2, which also includes money market mutual funds and some other savings-type accounts, is now perilously close to the maximum the Fed wants. In fact, it could easily go over the top in the next fortnight, which means the Fed would overshoot its 1981 target.

Earlier this year, the Fed was justifying its tough monetary stance partly on the grounds that the U.S. economy is resilient enough to stand a stiff dose of credit restraint. Whether it still holds to that view is debatable. The statistics all point to a sharp, and possibly long recession, which removes some of the Fed's justification.

But the Fed has not encouraged anyone to think that a weak economy will deflect it from its course. Analysts believe it will prefer to allow the recession to depress interest rates rather than do the job itself and risk accusations that it is caving in — precisely the kind of capitulation which has damaged the Fed's credibility in the past.

On Wednesday night, Mr Anthony Solomon, President of the New York Fed, seemed to sum up current Fed thinking. "Monetary policy must keep to a track of long-run restraint," he said in a speech. "An unduly hasty easing of monetary policy would have serious and I suspect very immediate consequences for inflationary expectations."

Ironically, the White House has stopped badgering the Fed to ease up, even though the economy is in a far worse state than in early October, when Mr Donald Regan, the Treasury Secretary, "advised" Mr Volcker to allow faster money growth. So the political pressure is off.

Looking further ahead, the Fed must also have its eye on what could easily become the most critical financial problem of 1982, the budget deficit. In its fickle way, Wall Street seems to have forgotten all about it in its euphoria. But the Reagan Administration's budget problems have worsened dramatically in the last few weeks. Congress has dug in its heels over more spending cuts and the White House has refused to consider raising taxes instead. Estimates for the 1982 deficit now range to $100bn and £51bn and beyond, well above this year's $60bn (£30.7bn).

Paul Volcker: has kept unusually quiet now that political pressure is off

Although the prevailing view on Wall Street just now is that the credit markets will be able to handle this torrent of treasury debt provided credit demand from other quarters is weak, the Fed is uneasy. Top officials fear that excessive deficits could still push interest rates back up again and destroy an economic recovery. Some Wall Street gurus share these fears, although their views are not popular at the moment.

There is good news, however, in the inflation rate. In October, the Consumer Price Index rose a mere 0.4 per cent, its lowest in six months, and the outlook is promising. But the Fed must view this as a gain to be protected, not as an excuse to ease up. If the economy recovers in the first part of next year, as the Fed seems to think it will, the danger of a sharp rebound in the inflation rate and interest rates must also be taken into account.

E. Germany orders £94m oil 'cracker' from Japan

BY LESLIE COLITT IN BERLIN

EAST GERMANY has ordered $180m (£94.7m) oil refinery "cracker" from two Japanese companies as part of a series of turnkey plants it has recently purchased in Japan.

Industrieanlagen Import of East Berlin awarded a contract to Mitsui and Toyo Engineering which is to build the heavy oil cracker at East Germany's petro-chemical complex of Schwedt on the Oder river. The plant is to process 1.6m tonnes of heavy crude into heating oil and petrol.

East Germany has greatly increased its imports of capital goods from Japan this year and when East Germany's leader, Herr Erich Honecker, visited Japan in May, talks were held on this project and others.

In October, East Germany ordered a $65m cold rolling mill from three Japanese companies to be built at Eisenhüttenstadt, also at the Polish border.

In February, Mitsui contracted to export to East Germany a colour TV tube plant manufactured by Toshiba and worth some $150m (£78m).

East Germany also agreed to buy 10,000 cars from Mazda to compensate for a sudden stoppage in the sale of Soviet Lada cars to Eastern Europe. Marubeni Corp is to build an iron foundry for the East German truck industry at Leipzig.

East German-Japanese trade last year amounted to only $178m with three-quarters of it Japanese exports. But the East Germans plan to double this trade volume by 1983 and to balance trade as well.

Tokyo looks set for trade talks

BY GILES MERRITT IN BRUSSELS

JAPAN is now confidently expected to take part in top-level tripartite trade talks with the EEC and the U.S. that are due to be held next month.

Official confirmation by the Japanese Government is still awaited by the European Commission, but it is understood that, barring last minute hitches, Japan's new Minister of International Trade and Industry, Mr Shintaro Abe, will attend the ministerial meeting to review trade problems.

rade meeting.

The tripartite talks are due to be held in California during the second half of January, and will concentrate on broad trade policies required to calm growing U.S. and EEC anxieties over Japan's trade surplus with them. For 1981 the combined European Community and U.S. trade gaps with Japan will hit a record $35bn.

Japan's signals to the Brussels Commission that it is prepared to participate in the meeting bring to an end six months of wrangling, during which time the trilateral talks have gained an uncertain on/off character. Japanese reservations have centred on the possibility that the talks could provide the U.S. and the EEC with an opportunity to "gang-up" on Japan and impose trade concessions. The talks had been due to take place in New York in late November, but had to be called off.

It is likely that Japan has now received firm assurances from Washington and Brussels that the January meeting will not develop into a detailed trade negotiation for placing limits on Japanese exports. It will, however, by attended by Mr Bill Brock, the U.S. Special Trade Representative, and Herr Wilhelm Haferkamp, the EEC External Relations Commissioner.

It is still unclear whether the forthcoming talks will be strictly limited to the U.S., Japan and the EEC, or whether Canada will also attend.

The idea of departing from the usual format of bilateral trade talks to group the world's three largest trading blocs originated at last July's Ottawa world economic summit.

EEC is Scotland's main market

BY MARK MEREDITH IN EDINBURGH

A SURVEY of Scottish exports has shown that the EEC has become Scotland's main export market while trade with North America is on the decline.

The survey by the Scottish Council also broke down Scottish export activity into industrial sectors to reveal rapid growth in instrument and electric engineering from £302.2m in 1978 to export orders worth £443.4m in 1980.

Improvements were also recorded in shipbuilding and marine engineering from £82.3m to £107.7m last year.

Metal manufacturing and chemicals and petroleum products showed relative declines in exports.

Whisky still accounted for about 20 per cent of all Scottish manufactured exports rising from £661m in 1978 to £747m in exports in 1980.

A survey of the destination of Scottish exports showed that the EEC has risen in importance *from 38.4 per cent of* Scottish exports in 1978 to 40.4 per cent in 1980. North American markets, however, fell from 16.2 per cent to 12.4 per cent.

Overall, Scottish manufactured exports showed, taking export price inflation into consideration, a real decline of 8.6 per cent between 1978 and 1980.

But the survey shows that Scotland has maintained a more than pro rata share of UK manufactured exports.

What is not reflected is the growth in the service sector in Scottish industry and its consequent impact on Scottish invisible exports.

The Scottish Council is an unofficial body financed by voluntary contributions from the Scottish business community including trade unions and local authorities.

Finland and Soviets sign £722m contracts

HELSINKI — Finnish and Soviet companies yesterday signed deals worth in all FM 6bn (£722m) making this by far Finland's biggest foreign trade deal.

Of the contracts, signed as a package deal, FM 4.5bn came to Finnish companies and the rest went to the Soviet companies covering mainly imports of Soviet cars to Finland.

The biggest slice of the deal went to three shipbuilders—Waertsilae, Rauma-Repola and Valmet — which will build 16 ships for the Soviets at a total value of FM 1.9bn.

Construction companies signed contracts worth *FM 1.85bn, including a FM* 1.1bn project to build housing and pumping stations to the Soviet natural gas fields and along major pipelines. AP

The deals signed were part of the 70 per cent increase in Finnish-Soviet trade during the first two years of the current five-year frame agreement ending in 1985.

Lance Keyworth in Helsinki adds: The Finnish-Soviet trade agreement for 1982 foresees a trade turnover FM 31bn, 70 per cent more than was envisaged when the framework five-year trade agreement for 1931-85 was signed. To this total must be added FM 1bn in building projects by the Finns on Soviet territory, for which separate agreements were signed yesterday.

These are impressive figures, even allowing for inflation and the increase in raw material prices, especially crude oil.

The agreement came as a relief to the Finns who feared that the Soviets might cut down their imports because of the large trade imbalance in Finland's favour, an estimated FM 1.5bn, in the current year.

Some four-fifths of Finnish imports from the Soviet Union comprise energy products: 7m-7.5m tonnes of crude oil, 1.5m-2m tonnes of diesel, 14 tonnes of fuel for the two Soviet-built nuclear power stations, plus electricity, natural gas, coal and coke.

Finnish exports to the Soviet Union come to approximately FM 14bn (excluding building projects).

Sue Cameron reports on a tariff reform battle in Australia

ICI faces war of attrition

THE BATTLE between Imperial Chemical Industries and the Australian Government over tariff reform is showing every sign of developing into a war of attrition.

ICI decided in October to "defer" its planned A$500m (£301m) chlor-alkali complex at Point Wilson in Victoria state. The move was something of an ultimatum to the Government which is evidently considering a cut in tariff protection for chemicals—much to ICI's alarm.

So far neither side has shown any inclination to back down—as they both did after a similar confrontation earlier in the year.

Yet in other ways, the present clash is almost a carbon copy of the fight that took place in April when ICI "suspended" a A$400m (£240m) petrochemical plant in Sydney after the Government threatened to re-examine tariff protection for Australian chemicals.

The row in April began when trade unions asked ICI to consider the introduction of a 35-hour week—a proposal which both the company and the Government were and still are against.

But the fact that ICI and the Government took the same view of a 35-hour week did not stop the latter taking a heavy-handed line with the company in order to stiffen its resolve.

In the event, threat and counter-threat were withdrawn: tariff protection remained unchanged and the go-ahead was given for the Sydney petro-chemical complex.

But now ICI has again weighed in and "deferred" a major chemicals project for much the same reasons that it suspended the Sydney plant.

ICI has indicated it will withdraw from its dispute with the Australian Government and go ahead with its Victoria State complex if Canberra is prepared to make concessions on the chemical tariffs issue

The company, which has a 15 per cent share of the £4.5bn Australian and New Zealand chemicals market, has made it quite clear it will give the green light for the Point Wilson project if the Government makes concessions on chemical tariffs.

ICI has carried out a A$2m feasibility study, and it claims this shows that the Point Wilson project would not be viable under Australia's current economic conditions.

Mr Milton Bridgland, chairman of ICI Australia, has talked about difficulties with cost structures and about the "uncertainties" of the longer term outlook.

But all this boils down to three major complaints on the part of ICI:

● The appreciation of the Australian dollar has led to an increase in chemical imports — particularly, according to ICI, from countries such as the U.S. where producers have access to "subsidised" raw materials.

● Soaring construction costs in Australia. ICI believes the dramatic rise in costs has been caused largely by the introduction of the 35-hour week for many construction workers, an innovation which the Government has evidently been unable to stop.

It would appear that, just as Ministers tried to harden ICI's opposition to the 35-hour week in April, the company is now trying much the same tactics with the Government.

● Fears that tariffs on petrochemical imports — notably on plastics such as PVC (polyvinyl chloride) — will be cut.

But concern over possible reductions in tariffs appears to be at the heart of ICI's argument with the Government. In 1979 the company was given an assurance that the official Industries Assistance Commission would not investigate chemical tariffs until 1984 at the earliest.

Now the Government is threatening that a general investigation into the possibility of lowering tariffs will be launched by the commission. ICI has so far been unable to obtain an assurance that chemicals will not be included.

The company's planned chlor-alkali complex at Port Wilson will produce chemicals for use in the making of detergents and soaps as well as for aluminium refining.

But there will also be ethylene dichloride and vinyl chloride monomer units on the site—and both are intermediates used in the manufacture of PVC. PVC is one of the products where tariffs are particularly important for ICI Australia.

Meanwhile, other Australian chemical companies seem to be girding themselves to join the fray. Altona Chemical, based in Victoria, was to have supplied the ICI Port Wilson complex with ethylene—a raw material that goes into the manufacture of PVC—during the early life of the new project.

Now Altona is believed to be reconsidering its own plans for a A$400m expansion at its petrochemicals site. The ICI deferral of Port Wilson would appear to be having a knock-on effect.

Indian Railways seeks computers

BY K. K. SHARMA IN NEW DELHI

INDIAN RAILWAYS, which has the world's second largest rail network, is to computerise its freight operations with the help of substantial World Bank credits. *The search is now on* for a suitable organisation to carry out this programme.

The World Bank, in recent consultations in New Delhi, ruled out the development of an Indian computer system on the ground that this would take too long to commission. The purpose of the system is to improve the functioning of the railways, which is essential to remove infrastructural bottlenecks.

The choice will have to be from among the world's leading computer manufacturers. Bids are to be sought for what is certain to be one of the largest contracts of its kind, since it is likely that both the hardware and software will be imported.

Since the railways have agreed to speed up the computerisation programme, it is expected that the World Bank will provide credits to it for five other projects in the next fiscal year totalling $415m (£218m) which, if taken with the computerisation programme, could total more than $900m.

A railway mission is now studying which computer system will suit Indian conditions best. It has been asked to submit its report within three months. A decision is expected by next March so that the World Bank can make provision for it in its fiscal year beginning next July.

The five other World Bank credits being negotiated by Indian Railways are for setting up diesel component works (at a cost of $40.7m) for manufacture of high capacity wagons ($142m) import of electronic locomotives ($40m), import of unit exchange components including wheels, axles and wheelsets ($187m) and technical assistance and training ($5.3m).

The World Bank recommended computerisation of the railways some years ago. The bank has now insisted on firm assurances that this will be completed quickly, together with creation of an information system.

Railways officials acknowledge that computerisation would help greatly in wagon utilisation and could result in savings of over Rs 5bn (£277m) annually.

● India and Italy are planning to set up a joint business council to promote collaboration between companies of the two nations in India and in third countries, according to Dr Luigi Deserti, chairman of the Italian Institute for Foreign Trade.

Dr Deserti is now in New Delhi leading an economic delegation which will hold discussions with officials

Zimbabwe lifts South Africa rail embargo

By Our Salisbury Correspondent

THE NATIONAL Railways of Zimbabwe has lifted the four-month-old embargo on acceptance of traffic from South African ports, following an improvement in the rail transport situation in Southern Africa.

The embargo was imposed in July at a time of peak seasonal movements on the South African system and a critical shortage of locomotive capacity on Zimbabwe's railways.

Mr Josiah Chinamano, Zimbabwean Transport Minister, said yesterday that the position was now much improved because old locomotives had been reconditioned.

Mr Chinamano said that the improvement confirmed his prediction that by mid-1982 the Zimbabwean transport system would be well on its feet.

UK NEWS

Sanyo buys Philips' Lowestoft TV plant

By Jason Crisp

SANYO, THE Japanese consumer electronics company, has bought Philips' colour television factory in Lowestoft, Suffolk.

Sanyo will occupy the factory early next year and expects to begin production of 60,000 sets a year in August. In the third year production is expected to reach 120,000 sets.

Philips, the Dutch electricals giant, announced the closure of the Lowestoft factory just over a year ago. It wanted to concentrate production of colour television at its factory in Croydon.

Philips has sold Sanyo most of the buildings and about 60 per cent of the land at its Lowestoft site.

Beer sales drop

BEER sales this year are more than 6 per cent below last year's level, with no sign of any end to the depression in production and sales. The Brewers' Society said yesterday that beer production in October was 3,054,668 bulk barrels (879m pints), a fall of 15.1 per cent on production in the same month last year.

Scots output down

INDUSTRIAL production in Scotland showed a sharp decline of 4 per cent in the second quarter of 1981, compared with the first quarter, according to the Scottish Office.

The 4.3 per cent drop in industrial production — not including petroleum and gas—compared with a 0.8 per cent drop for industrial production for the UK.

Furniture closure

SUMMERLANDS furniture factory near Kendal closed yesterday. The workforce of 83, some of them disabled seamen, are to be made redundant.

But Mr Frederick Edmondson, a former merchant seaman, is to buy the factory and the village which provides homes for 30 disabled seamen.

Paul Martin

MR PAUL MARTIN, a regular contributor to the Financial Times travel pages, died in London yesterday. A freelance writer, Mr Martin was particularly noted for his work on the art and architecture of Europe.

N. Sea tax 'too onerous' says study

BY RAY DAFTER, ENERGY EDITOR

NORTH SEA oil companies will have to spend about £40bn (at present day values) over the next nine years if the UK is to maintain a high rate of oil and gas production, according to an offshore study published yesterday.

The report* says that between 1982 and 1990 about £14bn is likely to be spent on existing development projects. A further £13bn could be invested in new field developments, with an additional £10bn going on operating costs. Exploration and appraisal drilling activity was expected to cost £3bn.

To maintain oil output into the mid-1990s at about 1.7m barrels a day—roughly in line with current UK demand—about 54 new field development projects would have to be started by the end of this decade, says the report's author, consultant Mr Martin Lovegrove.

These fields will be much smaller than most of the 18 fields (or parts of fields) now in production. Mr Lovegrove, a director of ML Petroleum Services, estimates that each field will have an average 75m barrels of recoverable reserves and will cost a total of £22bn to £30bn to exploit.

Such a work programme could stretch the management resources and finances of the offshore oil industry. In the past, companies have more often than not underestimated the cost of projects, the report says.

An analysis of 14 selected field projects showed that the aggregate cost estimates had increased by nearly 200 per cent from the first estimates.

Mr Lovegrove warned that taxation rates in the North Sea had become too onerous and that the UK Continental Shelf was becoming less attractive to oil exploration companies.

Introducing the report, he questioned Government plans to turn the exploration and production arm of British National Oil Corporation into a private company.

Mr Lovegrove, who until earlier this year was head of public affairs within BNOC, said the proposed division of the corporation into a privatised operating company and a state-owned oil trading undertaking would demoralise the oil traders.

He also contended that in order to raise the maximum amount of money from the sale of BNOC's interests, the Government would have to hold an auction. But an auction was unlikely, given the Government's wish to retain UK control of the privatised company. It was probable that U.S. companies would be among the keenest bidders in any auction.

Mr Lovegrove estimated that the Corporation's assets were worth between £2bn and £2.5bn, although the effective stock market value would be nearer £1.2bn-£1.6bn.

* *Lovegrove's Guide to Britain's North Sea Oil and Gas; ML Petroleum Services, 32 St James's Street, London SW1A 1HD; £28.50.*

Fish price proposals 'threaten UK fleet'

By Nick Garnett

THE UK fishing industry could face another financial crisis next year, the British Fishing Federation warned yesterday.

The federation said new EEC Commission fish-pricing proposals, if put into effect, would "strike another blow at the British fleet when it is at its most vulnerable."

The commission's "Guide prices" for next year propose increases of up to 6 per cent for the most important species of fish.

These guide prices influence the setting of the crucial Official Withdrawal Prices which are in effect compensatory payments for fish withdrawn from sale.

The federation has been seeking rises of between 50 per cent and 60 per cent in these prices. The Association for European Fishing Organisations has also protested at the commission's proposals, but some member bodies have wanted increases of only a third the rise sought by the UK fishing fleet.

The British industry employs about 17,000 full-time fishermen, 2,000 less than in 1973, the peak year of the past decade.

The federation represents deep-sea trawler owners operating out of the north of England fishing ports, and Lowestoft, Milford Haven and Aberdeen.

The federation's 90 registered vessels—down from about 500 six years ago—account for only a fifth of the total UK catch. More than half is caught by the Scottish fleet, not represented by the federation.

The federation said yesterday that with the "savage" reduction in the deep-sea fleet, British markets were being supplied increasingly by imports, particularly during winter.

"Every rise in imports reduced the income, and with it the future prospects, for a British fishing vessel," the federation said.

"If, as seems to be the commission's intention, prices are not only kept down but further depressed, more fish will be diverted to the British market at below official withdrawal price. That can only mean more British fishing vessels going out of business."

Safety puts up cost of Britain's first PWR power station

BY DAVID FISHLOCK, SCIENCE EDITOR

SIZEWELL B, Britain's first nuclear power station based on the American pressurised water reactor (PWR), will be substantially more expensive than similar designs built in the U.S., nuclear engineers learned in London last night.

Additional safety features are the reason for the price increase.

Nevertheless, the 1,100 Mw Sizewell B station in Suffolk was expected to be nearly 25 per cent cheaper than a latest version of the British advanced gas-cooled reactor (AGR) giving the same amount of power, Mr James Stewart told the British Nuclear Energy Society.

Mr Stewart, who is directing the Sizewell B design project for the National Nuclear Corporation, described the PWR as "an opportunity and a challenge" for British engineering.

He exhibited a 100th-scale model of the design currently being scrutinised by the Government's nuclear inspectors and estimated that the "power block" would cost £160m more than comparable plant in the U.S. market.

Converted to sterling at an exchange rate of $1.6 to the pound, Mr Stewart said his "best estimate" for the Sizewell B "power block" was £600m, compared with £1.01bn for the 1,300 MW "power block".

Then he compared costs with France, which has 46 big PWRs on-line or under construction. There, he said, the current cost of building twin 1,300 MW PWRs (2,600 MW) was about £740m.

Countries that lacked fossil fuels and were pressing ahead with large PWR programmes—France, Spain, South Korea, for example — would have the benefit of cheap electricity and, as a by-product, an export industry in nuclear reactors.

Small business scheme loans total £52.6m

BY TIM DICKSON

A TOTAL of 1,512 companies have taken up loans worth £52.6m under the Government's Loan Guarantee Scheme, the Department of Industry announced yesterday.

Official figures for the first six months of the scheme show that £28.3m of this has gone to new businesses (857 in all). Manufacturing companies have accounted for £20.4m construction for £0.7m, retailing £6m and service sector companies £16.5m.

The Loan Guarantee Scheme was introduced in June to help small companies looking for finance. The Government guarantees 80 per cent of the loan, for which it charges a "premium" of 3 per cent. Banks assume the risk for the other 20 per cent.

Because of the high take-up of the scheme, which has surprised many of the big banks involved, the original limit of £50m agreed by the Treasury for the first full year has been increased to £100m.

Mr John MacGregor, Industry Department Minister responsible for small businesses, said yesterday that the scheme had been designed to see if there was a gap in the banks' traditional lending services.

He said the evidence of the past six months indicated that the scheme was meeting a need.

Law Lords reserve their judgment on GLC fares

BY ROBIN PAULEY

THE LAW LORDS have decided to reserve their judgment in the Greater London Council's appeal against an Appeal Court decision that its cheap fares policy on buses and underground trains is illegal.

They have coincidentally closed a possible bolt hole through which the Government was contemplating escape from the confusion surrounding the Local Government Finance Bill.

The five Law Lords finished hearing the arguments yesterday after six and a half days. They announced that they would report a decision "in due course."

Either way, it is far too late to help the Government out of its predicament. The Local Government Finance Bill has been delayed for so long by Cabinet arguments that the measure will fail to be effective for next year's rates unless a second reading is organised in the Commons before the end of next week.

A decision by the Law Lords would have given the Government the excuse to withdraw the Bill and rewrite it without losing face.

If the court had found against the GLC, new clauses to change the basis of transport subsidies could have been introduced. If the GLC lost, tough new measures restricting the uses of Government general and transport grants for subsidy could have been introduced.

Accountancy firm was bogus, court rules

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THREE chartered accountants set up a bogus partnership to camouflage the fact that they were breaking the rules of their professional association, the Court of Appeal said yesterday.

The "so-called partners," Mr Melvin Perera, Mr Roger Lynch and Mr John Trickett, were, in reality, salaried employees of Norton Warburg Holdings Ltd, Lord Denning said.

The rules of the Institute of Chartered Accountants did not allow its members to act through the medium of a limited liability company, said the judge.

The three had appealed against a High Court order that they pay their fees—except for £10,000 to meet litigation expenses—into court.

The order had been made on an application by the receiver of Norton Warburg Holdings, which went into liquidation in March and is claiming £400,000 from the three men.

Dismissing the appeal, Lord Denning said that in 1973 Mr Perera and Mr Andrew Warburg formed Norton Warburg Limited. In 1976, after a complaint by the institute, they set up a partnership, Warburg, Perera and Company, in which they were joined by Mr Lynch and Mr Tickett.

It was plain, Lord Denning said, that the partnership had not been independent of the company, which paid all its expenses, received its fees and paid salaries to the partners.

This year the whole edifice crashed, and those concerned constructed an agreement that purported to show that the businesses were separate.

In March the company, renamed Norton Warburg Holdings, went into liquidation. Mr Perera, Mr Lynch and Mr Tickett formed a new partnership. Mr Warburg was made bankrupt.

The receiver obtained an order for outstanding partnership fees to be paid into court pending the hearing of his claim.

Lord Denning said the so-called partners' unprofessional conduct did not alter the fact that their fees belonged to the company and must be paid into court.

Spending on regional airports approved

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LOCAL AUTHORITY spending on regional airports in 1982-83 will total £41.6m, compared with £31.4m in 1981-82. It will cover a wide range of schemes.

This is the biggest annual capital-spending programme on regional airports since the Second World War. It reflects the Government's wish to see those airports expand, to take the strain off the congested London and south-east area.

Approval of the local authorities' spending plans was announced by Mr Iain Sproat, Parliamentary Under-Secretary of State, Trade Department. Money for the schemes will be raised by local authorities owning the airports concerned, from a variety of sources.

Government approval of their schemes as projects likely to be of national or regional importance was needed before the money could be raised. The cash will not come from government grants or subsidies.

The airports are Birmingham, Bournemouth, East Midlands, Exeter, Humberside, Leeds/Bradford, Liverpool, Luton, Manchester, Newcastle, Shoreham and Teesside. The schemes mostly involve runway, apron and terminal building improvements.

● Britannia Airways is urging the Civil Aviation Authority to widen its plan for travel-only tickets on holiday flights, to include the London area.

The authority said this week it was ready to consider applications from airlines for rights to offer travel-only tickets for up to 15 per cent of available seats on holiday charter flights from provincial centres to European

Travel-only tickets will open many holiday charter flights at cheap rates to travellers who do not want hotels but only outward and return flights.

Britannia says the number of travel-only seats should account for 50 per cent of each flight destinations.

● The Air Travel Reserve Fund set up by the Government to protect travellers against losses arising from defaults or bankruptcies of air-travel organisers stands at more than £18m.

AFTER THE PACKAGE

ENERGY

State industries take another look at investment plans

NATIONALISED ENERGY industries are taking a fresh look at their investment programmes for next year following the Government's announcement of tight new financing limits.

The indications are that while major projects will remain intact, some less vital plans will have to be rephased. The picture is:

● The electricity supply industry in England and Wales, comprising the 12 area boards and the Central Electricity Generating Board, may have to trim some investment In 1982/3 it will have to pay back £319m to the Government, with £165m this year.

However, the CEGB said yesterday that it expected all projects already announced to go ahead.

It emerged yesterday that the Government has refused the industry's request for a relaxation of its financial target — an average return on net assets, valued on a current cost accounting basis, of 1.8 per cent from 1980-81 to 1982-83.

The industry achieved a 1.7 per cent return last year, but it nevertheless asked the Government for a relaxation this year, since the target was set before the recession.

The Government is evidently sticking to the argument that the target is an important discipline and that 1.8 per cent remains a modest goal

Nevertheless, the retention of the target could give a further nudge to the electricity price rises which are due next April. The industry is reluctant to commit itself to figures, but the indications are that an increase broadly in line with the rate of inflation is in prospect, probably around 9 to 10 per cent.

● The National Coal Board reckons that it will be able to maintain capital expenditure next year at around this year's level in real terms, despite a cut in its EFL from £1.12bn to £1.03bn in 1982/83. It is spending £715m this year on capital projects.

But one issue for the NCB has yet to be settled—how much of the 1982/83 money will be in grants and how much in loans.

This decision will have an important bearing on the financial pressure faced by the NCB to shut its most unprofitable pits. Following a miners' strike last February, the Government upped the board's 1981/82 EFL from £886m to £1.12bn and gave it some £300m of extra grants to keep open loss-making pits and keep out coal imports.

The lower 1982/83 figure suggests the NCB will come under greater pressure to close pits if it is to maintain the level of its long term investment

● British Gas Corporation will probably have to prune its proposed £850m investment programe next year by about £50m. The corporation said yesterday that it was not yet known where the cuts would be made. It was likely that much of the reduction could be accommodated by rephasing some of the investment projects.

The undertaking is in the midst of a five-year capital spending programme involving nearly £4.5bn up to spring 1986. Nearly half of this is earmarked for modernisation and expansion of the national supply grid, with the remainder for offshore projects.

The apparent drastic change in the corporation's external financing limit — from minus £390m in 1981-82 to just minus £2m in 1982-83 — is masked by other Government measures designed to cream off British Gas profits. Earlier this year the Government introduced a levy (backdated to April 1980) on gas purchased from mature North Sea fields which are not subject to Petroleum Revenue Tax.

● British National Oil Corporation has still to decide on its 1982-83 investment programme — much will depend on the plans of its many joint venture partners. But the spending level is expected to be little different from the current year's level of £300m.

Like British Gas, BNOC is a net repayer of cash to the Government. But the oil corporation is subject to an external financing requirement —a guideline—rather than a strict limit, because of the uncertainties of future oil prices and BNOC's involvement in joint venture projects.

Ray Dafter and Martin Dickson

GOVERNMENT

Employees to pay £1bn more

The 1 per cent increase in employee National Insurance contribution rates, announced in Sir Geoffrey Howe's economic package on Wednesday, will cost employees an extra £1bn in the next financial year, of which £536m will be paid into the National Insurance Fund.

Employees are expected to pay a further £110m on their NI contributions because the weekly earnings ceiling, on which contributions are levied, is being lifted from £200 to £220. Employers will be paying an extra £135m for the same reason in 1982/83.

But Mr Edward Johnston, the Government Actuary, does not expect these higher contributions to completely meet the rising benefit payments.

His latest report on the financial situation of the National Insurance Fund forecasts benefit payments and other outgoings to be £1.66bn higher in 1982/83 at £19.75bn, while income is anticipated to climb £1.8bn to £19.74bn, leaving an expected deficit on the fund of £9m for the year.

This compares with an expected deficit on the fund in the current financial year of £153m, a much lower deficit than was anticipated by the Government Actuary earlier in the year when he forecast a deficit of £619m for 1981/82.

Mr Johnston says the main reason for the improvement in the fund this year is that earnings are rising faster than anticipated. In April he assumed a 10 per cent rise, on Treasury instructions. This time he has assumed an 11.3 per cent increase. Other reasons for the improvement include lower sickness and invalidity payments and higher investment income from the assets of the reserve fund.

The improvement also came from more people in work than was anticipated, even though the unemployment assumptions, again on Treasury instructions, remain unchanged at an average 2.6m adult and 220,000 school-leavers for the year.

Eric Short

THE TREASURY FORECAST

The arithmetic of 1% growth

THE CATCALLS which greeted Sir Geoffrey Howe's claim that the economy could now hope for a "slow recovery" seem at first sight unfair. The Treasury forecast of 1 per cent growth in 1982 is after all closely in line wth a recent consensus.

The National Institute, the London Business School, the leading City economic models and a number of international forecasts are all close to the Treasury view. Certainly all are well within the usual margin of error of such forecasts. Indeed, the difference between the various estimates of past growth —based on output or expenditure figures — is much wider.

All the same, the Treasury figures have occasioned some surprise among other forecasters, because although the totals are much the same, the sub-total, or components of demand, are strikingly different.

Most notably, the Treasury expects investment in new fixed capital to rise next year, when everyone else expects a standstill or a fall. Equally, the Treasury expects a current account surplus twice as big as the nearest rival forecast, while Simon and Coates, whose forecasts are run by Gavyn Davies, an old Treasury hand, expects no surplus at all.

FIVE FORECASTS FOR 1982 COMPARED

	Cons. Exp.	Govt. Cons.	Capt. Form	Stock change £m	Exports %	Imports %	Bal. £m	GDP %	RPI
Treasury	0.0	0.0	2.5	2,600	2.5	8.5	3,000	1.0	10.0
NIESR (Nov)	−0.2	−0.9	−1.3	2,053	4.5	7.6	700	0.6	10.7*
LBS (Oct)	0.5	−0.4	0.0	2,914	3.5	7.9	1,600	1.7	10.4
Simon and Coates (Nov)	0.2	1.4	−0.6	2,808	5.2	11.5	—	0.6†	10.9
Phillips and Drew**	0.2	1.0	−1.2	2,250	3.9	5.4	1,800	1.0†	9.9

* Consumer prices, annual average; all others, 4th quarter-4th quarter

** Revised forecast

† Output-based estimates. Others, compromise estimate

If consensus figures are substituted for the Treasury figures under these two heads, most of the forecast growth vanishes. This would also imply lower revenue, and therefore a higher borrowing requirement — perhaps £2.3bn above the official target stated in the March Budget. So the Financial Strategy hinges on the forecast. Questions, if not catcalls, are justified.

Closer examination shows a clear risk that the 1 per cent forecast is indeed too high. This comes out first in the figures for external trade. The Treasury's forecast for export growth in real terms is the lowest shown in the table, and for import growth the second highest, yet the current account is stronger.

This makes sense only if the Treasury is assuming much more "favourable" terms of trade than the others think likely. This is almost certainly the result of assuming a higher exchange rate—and the Treasury, after all, is the only forecasting team which knows the Government's unpublished targets for the exchange rate.

Yet if the other teams used the Treasury's exchange rate assumptions, they would forecast lower growth. A higher exchange rate implies lower output for any given level of demand, as we saw dramatically in 1980.

The difference on investment is not so crucial, because investment is less than a fifth of GDP, but again it points to a downside risk. The Treasury is explicitly assuming a 15 per cent rise in nationalised industry investment; but it admits that this depends on increased efficiency coupled with wage moderation. Others are more sceptical.

Anthony Harris

SELF-EMPLOYED

Fowler keeps the burdens to a minimum

THE SELF-EMPLOYED have been deliberately shielded from the full consequences of the current review of National Insurance contributions, with much lower increases than would normally have been the case.

The flat-rate Class 2 contribution, paid by almost all self-employed, is being raised by 35p to £3.75 a week, this increase being accounted for entirely by inflation.

Mr Norman Fowler, Secretary for Social Services, said that he had suspended the normal formula used for calculating Class 2 contributions in order to keep to a minimum the burdens imposed on the self-employed. This was done in recognition of the important role of the self-employed in regenerating the economy.

Thus the Class 2 increase does not include any additional contribution for an increased National Health Service element, neither does it provide for any compensation to meet the reduced Treasury Supplement to the National Insurance Fund. Rates for employees were increased to take account of both these factors, as well as to meet deficiencies in the National Insurance and Redundancy Funds.

The formula for ascertaining the earnings-related Class 4 contribution rate has been modified this year, resulting in the rate rising from 5.75 to 6 per cent, instead of 6.1 per cent under the usual method.

CONTRIBUTIONS FOR THE SELF-EMPLOYED
Annual figures for Class 2 and Class 4 combined

Earnings	NI rates	Rise
5,000	288	4.83
7,800	456	11.83
10,000	588	17.33
11,000*	648	77.33

* Or more

Eric Short

RATES

Wales may escape more lightly than Scotland

RATEPAYERS in Scotland face as tough a time as those in England next year as a result of the Chancellor's financial statement on Wednesday, but those in Wales appear to have been treated more gently.

In Scotland the percentage of current expenditure ranking for Government grant has been cut by 2.5 per cent to 64.2 per cent for 1982-83 and the total cash limit for the year has been set at £2.9bn.

Mr George Younger, the Scottish Secretary, said he would not hesitate to use his powers to take grant from councils which did not toe the line on his spending targets. And he is taking new legislative powers to give him the right to decide what is an excessive rate and to order councils to make adjustments accordingly.

The new cash limit is an increase on the figures indicated in the current public expenditure white paper. But the grant reduction, coupled with the inevitable sharp reduction in grant for some authorities because of their spending levels, suggests that some rate rises next year will be significantly higher than the rate of inflation.

In Wales, however, the outlook looks more optimistic, partly because Mr Nicholas Edwards, the Welsh Secretary, has taken a consistently relaxed approach to council spending which he feels is more or less satisfactory.

The new cash limit for 1982-83 will be £1.126bn, an increase of £94m or 9 per cent on this year's figure.

● The Confederation of British Industry warned that industry could face an extra £410m in rate bills next year because of the new measures unless councils cut back their spending.

Robin Pauley

TRANSPORT

Tough line over cheap fare schemes

THE GOVERNMENT is expected to take an extremely tough line next year with local authorities which operate cheap fare schemes for public transport, writes **Lynton McLain.**

The cash constraints being worked out by Mr David Howell, the Transport Secretary, for implementation in the Government's transport supplementary grant settlement for councils assume that authorities will reverse their cheap fare policies next year.

The transport supplementary grants settlement of payments by the Government for local transport will be announced shortly before Christmas.

However, the new tough line is already implicit in the £180m cash cut in government support for local authority current spending on transport announced by Mr Howell after Wednesday's statement by the Chancellor.

The Government is expected to spend £1.6bn supporting current spending on local authority transport in the current financial year.

● **John Elliott writes:** British Airways appeared to be taken by surprise when the Chancellor announced that its EFL was being cut from £101m this year to minus £9m in 1982-83.

Talks between the airline and senior Whitehall civil servants had not ended before he spoke and are likely to be continued.

Against a background of the airline's substantial financial problems the issue hinges on whether it will be able to sell enough of the property and aircraft, worth £150m, which it has placed on the market, to offset the costs of substantial staff severance payments. These are estimated to total £100m to £120m over two years.

Court overturns Burmah Oil tax avoidance plan

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Inland Revenue has succeeded—at its third attempt—in overturning a tax-avoidance scheme devised for Burmah Oil which, the company had claimed, gave it a £160m allowable loss for corporation tax purposes.

The House of Lords yesterday allowed an appeal by the Revenue and restored a £3m corporation tax assessment on Burmah for 1972.

The scheme, effected in 1972, involved two circular transactions between Burmah and some of its subsidiaries. The Revenue challenged the scheme, but lost before tax commissioners in 1978 and again before the Scottish Court of Session last year.

The key to the Revenue's eventual success lay in a House of Lords decision in another case this year, which marked a significant change in the Law Lord's approach to tax-avoidance schemes, involving inter-company transactions.

Lord Diplock said yesterday that when Burmah's advisers devised the scheme in 1972 they had not foreseen this change in approach.

Lord Fraser of Tullybelton said the fact that the purpose of the scheme was tax avoidance did not imply that it was not perfectly honest and respectable.

Burmah's directors had a duty to minimise the impact of tax on the company's profits, and in carrying out the scheme they had acted on professional advice from reputable sources.

They were not to be criticised because that advice, in "this regrettably intricate region of the law," turned out to be erroneous.

In 1969 Burmah sold its shares in BP to its wholly-owned subsidiary, OMDR Holdings, for £380.6m, which was left as a loan to Holdings. In 1971, when the BP stock had fallen in value to £220.6m, it was sold back to Burmah, leaving Holdings owing Burmah almost £160m.

Burmah took legal advice on how it might obtain tax relief for its commercial loss, equivalent to that which it could have obtained if its investment in Holdings had been in shares, instead of an unsecured debt.

Two transactions were devised. Manchester Oil Refinery Holdings (MORH) borrowed £160m from Burmah and lent it to Holdings, which used it to repay its debt to Burmah.

Second, Holdings made a one-for-one rights issue to its sole shareholder, Burmah. Holdings used the £160m so raised to repay MORH, which used it to repay its debt to Burmah. Holdings was then liquidated.

Burmah then claimed it was entitled to deduct, as a chargeable loss, the £160m paid for the new shares, as well as what it had paid for its original Holding shares.

The Revenue claimed that the transactions had been an artificial device to secure a tax advantage.

Lord Fraser rejected as fallacious the Revenue's argument that Burmah was not entitled to deduct the £160m because the transaction over the new shares had not been "at arm's length," and the consideration must therefore be deemed to be the market value of the shares and not the cash sum paid.

But he agreed with the Revenue that the scheme did not result in a real loss to Burmah. What had resulted had been a simple debt to Burmah, and no allowable loss could accrue to the company on a disposal of that debt.

There had been little or no hardship to Burmah because, after the scheme had been carried out, it still owned the BP shares and if it had sold them in December, 1972, outside the group, it would have made an allowable loss.

The true position was that on the BP shares Burmah had a real, but unrealised, loss.

Honda chief criticises inefficient dealers

By John Griffiths

CONSIDERABLE change in the way in which the UK motorcycle trade operates, with fewer outlets selling a larger volume of machines, is forecast over the next few years by Mr Eric Sulley, sales director of Honda UK.

Mr Sulley, whose company holds 43 per cent of the powered two-wheeler market, says the trade is suffering from too many small, inefficient dealers "who need plucking out and destroying like weeds."

Within the next five years he expects to see "a complete transformation" in the trade, with more motorcycles being sold by car outlets and dealers adopting a "hypermarket" approach to trading.

His remarks are bound to appear provocative to many of Honda's 936 dealers—200 of them sole franchise—who complain that Honda has set up new dealerships too close to existing ones, and done nothing to halt the growth of unofficial "pirate" dealers.

The latter receive their machines from larger official dealers who increase their turnover by unauthorised "wholesaling."

Smaller official dealers claim they are being caught in a financial pincer. They cannot compete with the "pirates," who are under no obligation to invest in service or back-up facilities, nor with very large dealers who, Mr Sulley concedes, "are not so much motorcycle dealers as brokers," receiving machines in large volumes at allegedly disproportionately high discounts.

Some of these are advertised nationally, with offers of free rail tickets and crash helmets to buyers who collect them from long distances. As a result, local dealers are often expected to provide warranty and service support when the buyer returns home.

Dealers have long been seeking an agreement allowing defined sales areas. Honda has refused, so far, but Mr Sulley says he expects these to be established "within five years."

He says that while Honda disapproves of trading by unauthorised dealers, "the company is unable, under EEC free trade rules, to prevent its own dealers supplying them."

However, he says Honda has turned down repeated requests from mail order houses and high street retail chains to supply machines "because they cannot offer adequate service and back-up facilities."

Mr Sulley stresses that he believes the unauthorised dealer problem is by no means confined to Honda. "It applies to all Japanese importers. They know the trade exists in their machines as well. Honda has simply become the whipping boy for criticism because it is the market leader."

Printed by laser, delivered by postman

Jason Crisp looks at the bulk letter scheme launched on trial by the Post Office

THE POST OFFICE has begun a six-month trial of bulk electronic post using computers and laser printing.

Mr Kenneth Baker, Industry Minister, launched the service at the Mount Pleasant sorting office, London, yesterday.

It will enable a company with a lot of promotional mail to give the Post Office a computer tape storing all the addresses and the text of the letter. The Post Office computer sorts the addresses and transmits the information to a mechanised sorting office via telephone line.

The letter, with letterhead, company logo and signature, is printed by a laser and put into an envelope for normal delivery by a postman.

The trial scheme is limited to two centres, London and Manchester, covering 7m addresses, about 30 per cent of the national total.

The scheme can handle letters compiled in three ways; a common message to all addresses, a common message with personalised addressing, or a different message to each address. The trial service is likely to be used for promotional letters and circulars, but the Post Office says it could be used for bills and statements.

The high speed laser printer, made in the U.S. by Hewlett Packard, is limited to black and white but has 42 type fonts. For the trial, mailing will be limited to one sheet of A4 paper with up to two pre-printed inserts.

The Post Office hopes to persuade 50 companies to participate. Readers Digest used the system while the trial was being set up.

The Post Office handles more than 1bn items of bulk mail a year, but marketing director Mr Nigel Warmsley said: "We are not expecting this to take off like a rocket."

Companies wanting to send letters in colour or those without computerised mailing lists will not be attracted to the system. The equipment installed by GEC for the trial costs £250,000 at each centre.

The Post Office has been quick to experiment with electronic mail systems — which are often seen as a potential threat to the future of postal administrations.

It was first to adopt Intelpost, a facsimile transmission service between post offices in this country and overseas. Through Intelpost, a reproduction of a letter, like a photocopy, can be sent over telephone lines in a few seconds.

If the trial is a success, the wider introduction of electronic post for bulk mailing will be tied to the mechanisation of the Post Office's regional sorting offices. The government's refusal to allow the Post Office to increase its borrowings (it has to repay £25m) means that the mechanisation programme will be slowed down, the Post Office said yesterday.

The Post Office says the scheme is reliable, because electronic transmission is unaffected by weather or transport problems.

Although companies will initially deliver computer tapes with the information, the Post Office envisages the communication would ultimately be set electronically from a company's computer. If the network develops, the Post Office will use private circuits because of the limitation of data transmission speeds on the telephone network.

Wine auction attracts U.S. buyers and record prices

SALEROOM

EDMUND PENNING-ROWSELL

CHRISTIE'S wound up its autumn London wine auction season yesterday with a Finest and Rarest sale that contained an exceptional range of top level wine.

This auction mostly attracted American buyers and other bidding for the U.S. market.

Starting with a small collection from a private Paris cellar of Lafite vintages from 1895 to 1960 that fetched £3,411, and another cellar of La Mission-Haut-Brion from 1918 to 1953 that made £2,075 (including £600 for six bottles of the 1929), it continued with top wines of leading vintages.

Six bottles of Latour 1929 went for £860. Six of Mouton Rothschild 1945 went for £920.

A dozen Cheval-Blanc 1945 reached £780. A case of the 1947 was bought for £1,050.

Six magnums of Mouton Rothschild 1947 went for £1,100. Mouton Rothschild 1953 made a London auction record of £700 a dozen.

Leading '61s were well to the fore: Petrus (£1,550 for three magnums), Mouton Rothschild (£800 a dozen bottles), Cheval-Blanc (£650). Palmer achieved a record figure of £840.

Other exceptional prices included £350 a piece for single bottles of Yquem 1871 and 1874, £460 for three bottles of Romanee-Conti 1929, £380 a case for Petrus 1976, and £360 for a jeroboam of the same estate's 1978.

Anthony Thorncroft writes: A Louis XVI amaranth bureau plat, made by the celebrated craftsman Jean-Francois Teleu, sold for the very high price of £550,000 at Christie's yesterday in an auction of French furniture which totalled £1,032,860, with just 8 per cent unsold. The bureau plat was probably made in 1772 for the Prince de Conde

Westland sells U.S. company six helicopters

By Our Aerospace Correspondent

WESTLAND HELICOPTERS of Yeovil has won an order from Airspur of Los Angeles for six Westland W-30 civil helicopters, worth $38m (£19m), with an option on 15 more.

This is the first export order for the W-30, which has been developed from the Lynx military helicopter.

In the UK, British Airways Helicopters has already ordered two, and may eventually buy up to 20.

The first three aircraft for Airspur, a big Los Angeles helicopter operator, are due for delivery late next year, with the other three following a year later. The options will be converted into firm orders through the 1980s.

The 16-passenger, single-rotor, twin-engined W-30 uses the Rolls-Royce Gem engine. Each aircraft costs about £1.2m.

BAe wins defence order for pilotless mini-aircraft

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE has won contracts worth £600,000 from the Ministry of Defence to build ten remotely piloted vehicles (RPVs) for use in various experimental reconnaissance tasks.

Called Stabileye Mark 3, the RPVs are the latest version of a small, pilotless aircraft BAe first built in 1974.

The latest model will be used to test an infra-red Linescan radar system, and to assess the RPV's effectiveness as anti-radiation weapons.

The craft, which has a wing-span of 12 feet and a length of more than nine feet, is powered by a two-stroke petrol engine driving a small propellor. It is built by BAe's Dynamics Group (Bristol Division).

● Ferranti's professional components department has supplied a waveguide laser to the Ministry of Defence for use in a new system designed to detect sudden changes in air-speed.

This is expected to be particularly useful in helping to detect such phenomena as "wind-shear"—sudden changes in wind-speed near the ground, which in the past have caused fatal accidents in landing aircraft.

The new device, the Laser True Airspeed System (Latas), shines a beam through the nose cone which gives a continuous reading of the wind-speed ahead of the aircraft.

● British Airways, which is ending cargo-only flights as part of its retrenchment programme, is expanding cargo carriage on its passenger aircraft.

Cargo earns BA more than £200m a year, or one-ninth of its total revenue. The aim is to increase this by making more use of the 1,050 passenger flights a week which have cargo space in their belly-holds, especially on wide-bodied jets. This amounts to capacity for 260,000 tons of cargo.

Fibreboard recovery delayed

By Maurice Samuelson

The forecast recovery of the British fibreboard packaging industry is now not expected until at least the middle of next year.

This sombre view was expressed yesterday by Mr Michael Howard, Chairman of Thames Case and chairman of the British Fibreboard Packaging Association.

He told the Thames Case annual Press luncheon that he thought his company's performance would remain at about the same level as last year, despite earlier hopes of a slight upturn.

The difficulties were caused by the higher price of kraft liner — the basic component of corrugated packaging — which is dictated by American board producers. A 6 per cent rise in March was followed by the weakening of the pound against the U.S. dollar which raised the kraft liner price by a further 26 per cent between April and August.

He remained hopeful, however, of "some recovery" in 1982, perhaps by as much as 4 per cent in volume as de-stocking came to an end.

UK NEWS—PARLIAMENT and POLITICS

General Mikhail breaks his silence

Commons Sketch

FOR THE PAST YEAR Mr Michael Foot, Labour Party leader, has sat silently on the Opposition front bench as Tories have taunted him about the horrifying collapse of his party.

Sceptics, however, were given to understand that Michael was only playing a waiting game and when the time came, would deliver a devastating blow at extremists who are taking over the party.

He seemed to be cast in the role of an earlier Michael—Mikhail Kutuzov, the famous Russian general who eventually managed to wear down Napoleon by continually retreating and avoiding major engagements.

(Supporters of this theory seem to forget that in pursuing these tactics, Kutuzov—who, like Michael, was an agreeable sort of chap—managed to get the Russian army slaughtered at Borodino and saw Moscow burned to the ground.)

Yesterday the moment arrived for Mr Foot to launch his great counter-attack. In fact, it was a former naval rating, Mr James Wellbeloved (Erith and Crayford), a Labour member turned Social Democrat, who stirred things up.

Mischievously he asked the Prime Minister whether she had seen the demands from Mr Peter Tatchell, Labour's prospective candidate for Bermondsey, that extra-parliamentary action should be taken to challenge the Government's right to rule.

Self-righteously he demanded that such irresponsible sentiments should be condemned by all supporters of parliamentary democracy and not "condoned by craven silence."

Rather leftily, Mrs Thatcher said she had not seen the report, but everyone in the House believed in parliamentary democracy and assumed that anyone wanting to become an MP would also believe in it.

The sudden shot from the old salt had obviously found its target. Mr Foot leapt to his feet and snapped that Mr Tatchell "is not an endorsed member of the Labour Party and so far as I am concerned never will be an endorsed member."

Wisely he said that the Labour Party needed no instruction in parliamentary democracy from "[illegible]" on either side of the House.

At this belated act of political courage, Tories, Liberals, Social Democrats and some Labour right-wingers broke into wild cheers.

The left sat in glum silence. The dramatic effect was somewhat spoiled, however, when Mr Foot returned to the House a bit later to make a correction.

When he had said that Mr Tatchell was not an "endorsed member," he really meant that he was "not an endorsed candidate."

Apparently Mr Bob Mellish, who has announced his intention of giving up the Bermondsey seat, does not have much time for delaying tactics and favours a cruder approach to stop the lefties.

In an interview quoted yesterday, he described how strange people—"students, Nupe members, people like that"—had turned up at his local management committee, demanding reselection and the right to decide the party leadership.

"I told them to stuff it," declared the stalwart Bob.

John Hunt

Chancellor's package 'will raise TPI by up to 1½%'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE CHANCELLOR'S latest package of measures will increase the Tax and Prices Index next year by between one and one and a half per cent, the Prime Minister told the Commons yesterday.

Mrs Thatcher's reply came in answer to a challenge from Mr Michael Foot, the Opposition leader, who recalled that Sir Geoffrey Howe had persistently avoided answering this question when he made his economic statement on Wednesday.

Mr Foot wanted to know how an increase of that size in the TPI would help in the fight against inflation, particularly when it was accompanied by increased rates, rents, health charges and national insurance contributions.

Mrs Thatcher accused him of always wanting it both ways. He always posed as a person who could hand out benefits, but then refused to supply the money necessary to pay for them.

Mr Tim Brinton (Con Gravesend) wanted to know what advice Mrs Thatcher would give to his constituents if public spending continued to rise at its present rate.

Mrs Thatcher told him that if those in the public sector demanded more and more pay for doing the same amount of work there would be less and less money with which to provide jobs for the unemployed.

"I hope they will take that into account," she emphasised.

If people kept demanding more public expenditure they were in effect demanding more taxes and higher contributions.

Concern was also expressed from the Conservative benches about the burden placed on the private sector by the "monopolistic prices" of the public sector.

The Prime Minister said that price increases in the private sector were lower because its efficiency was greater than the nationalised industries.

That was one reason why the Government was taking wider powers to refer more of the public sector to the Monopolies and Mergers Commission. At the same time it was going ahead with measures for privatisation, including the British National Oil Corporation, and to take away the gas monopoly.

From the Labour side Mrs Renee Short (Wolverhampton NE), protested about increased unemployment in her constituency and asked what the Government intended to do about it.

The Prime Minister replied that the rate of imports into Britain had risen. We needed to win a larger share of our own market for products manufactured in this country. That meant that there had to be moderate wage settlements and highly efficient companies.

Mrs Thatcher thought that the latest figure from the CBI, showing pay settlements running between 5 per cent and 7 per cent, were a very good sign.

Inquiry into Third Force support

BY MARGARET VAN HATTEM, POLITICAL STAFF

THE GOVERNMENT announced yesterday that an official inquiry has been launched into allegations that members of the security forces in Northern Ireland are actively supporting the Rev Ian Paisley's attempts to form a Third Force in the Province.

Mr James Prior, the Northern Ireland Secretary, told the Commons that the chief constable of Ulster was investigating reports that members of the Royal Ulster Constabulary and of the Ulster Defence Regiment had taken part in demonstrations organised by Mr Paisley, and had carried firearms.

The matter was raised by Mr Gerry Fitt (Ind., Belfast W.) who demanded the immediate arrest of any member of the IRA or of the Third Force apprehended wearing masks and carrying guns in public; and the withdrawal of gun licences from supporters of the Third Force.

Mr Prior promised that "appropriate action" would be taken by the chief constable if the allegations were borne out, but added that the Government saw no need to intervene directly.

At the same time, Mr Prior indicated that the Government is still pursuing actively with the Dublin Government the possibility of extradition of suspected terrorists from the Republic or of some addition to extra-territorial legislation to combat terrorism.

This contrasts with Mrs Thatcher's statement after the recent Anglo-Irish summit that she saw little hope of progress on extradition.

Although it was suggested at the time that Mrs Thatcher had not pressed the point in her talks with Irish Prime Minister Dr Garret FitzGerald, Mr Prior stressed yesterday that the Irish Government could have no doubt about British views on the matter.

The Irish and British Attorneys General are currently examining the options for increasing the effectiveness of cross-border security, including extradition and setting up a "travelling court," and hope to formulate proposals before the next Anglo-Irish summit next spring.

The Irish government is understood to be seeking ways around a constitutional block, which prevents the extradition of Irish nationals on "political" grounds.

Dublin does not underestimate the overwhelming significance which Ulster Unionists attach to extradition, nor the political value of a gesture in this area.

It is concerned, however, not to violate the principle of political asylum, and at the same time not to make a gesture which later turns out to be ineffective.

Legislation on Canadian Constitution expected soon

BY MARGARET VAN HATTEM, POLITICAL STAFF

THE GOVERNMENT is expected to introduce soon legislation to "patriate" the Canadian Constitution and to proceed with a second reading before the end of January.

This follows a vote in the Canadian House of Commons this week strongly supporting a resolution calling on Westminster to give Canada sovereignty over its own constitution and, at the same time, to endorse inclusion of a new charter of rights.

The British Government expects a formal request from the Canadians next week. Although it is widely expected that the legislation will be passed during the current session of Parliament, residual opposition from backbenchers on both sides of the House, and possibly from some members of the House of Lords, could slow its progress.

Backbenchers from both sides have tabled an early day motion calling on the Government to press Ottawa to drop the charter of rights which, they claim, is "seriously defective," breaches the International Covenant of Civil and Political Rights, and is opposed both by Canada's Indians and by the Province of Quebec.

Social security pledge

BY IVOR OWEN

ALL SOCIAL SECURITY benefits will be uprated in November 1982 to take full account of their erosion by inflation in the previous 12 months, Mr Hugh Rossi, Minister for Social Security, emphasised in the Commons last night.

But he confirmed that the 2 per cent shortfall in unemployment and sickness benefit which occurred in the 12 months from November 1980 will not be made up.

This omission was attacked by Labour MPs, who took advantage of a procedural ploy which led to Government business being completed ahead of schedule, to launch a debate on the social security aspects of the public spending plans for 1982-83 announced on Wednesday.

Mr Rossi accused the Opposition of exaggerating the consequences of the 2 per cent shortfall, and reaffirmed the Government's pledge to maintain the value of the main long-term benefits — notably retirement pensions.

Business in parliament next week

COMMONS

Monday: Second Reading of the Local Government and Planning (Scotland) Bill; Transfer of Undertakings (Protection of Employment) regulations.

Tuesday: debate on public expenditure proposals for 1982-83; then on EEC documents on carriage of goods by road.

Wednesday: until about 7 pm debate on Common Fisheries Policy and the need to safeguard the interests of the British fishing industry, and afterwards on people, heavy lorries and the environment.

Thursday: debate on report of Scarman inquiry.

Friday: private members' motions.

LORDS

Monday: Weights and Measures Act order. Common Fund for Commodities order. International Rubber Organisation order. Slaughter of Animals Amendment Bill, Second Reading; debate on allegations that the Libyan government is promoting assassinations outside Libya.

Tuesday: Midlothian Council Order Confirmation Bill, Report Stage. Hops Marketing Bill, Third Reading. Harbours Bill, Second Reading, appropriation order. Sex Discrimination Amendment Bill, Second Reading. debates on Poland and on help for voluntary and Church organisations.

Norwich to lose control of council house sales

By Ivor Owen

COUNCIL HOUSE sales in Norwich are to be taken out of the hands of the Labour-controlled city council and supervised by civil servants, Mr Michael Heseltine, the Environment Secretary, announced in the Commons yesterday.

It is the first time he has used his power of intervention—authorised under the 1980 Housing Act—and his decision was fiercely attacked by Labour MPs.

Mr Gerald Kaufman, Shadow Environment Minister, condemned Mr Heseltine's action as "highhanded and completely unjustified." He warned that the council intended to challenge its legality in the courts.

Mr Heseltine agreed he had taken a "very serious step" but stressed it was only after correspondence and discussion with the council lasting many months.

The courts would decide on any legal action, but he made it clear he stood ready to intervene in other cases where Labour-controlled councils had been the subject of complaints from tenants wishing to exercise their statutory right to buy.

Greenwich was the only authority identified by the Minister as likely to be subjected to his intervention powers, but it became known later that the progress of council house sales in eight or nine other Labour-controlled councils is under close scrutiny.

Dealing with the position in Norwich, Mr Heseltine said that complaints about delays and difficulties from individual tenants had begun to reach the Department of the Environment last February.

In succeeding months the matter had been taken up with the council by officials and ministers, including himself. Nevertheless complaints had continued to come in.

It appeared tenants had to wait up to a year before they received a price for which they could buy their properties. Further delays could then occur before completion.

Mr Heseltine told the House that having considered matters very carefully, "whether I have regard to Norwich alone or Norwich in comparison with other authorities," he found that "secure tenants of Norwich city council have or may have difficulty in exercising their right to buy effectively and expeditiously and I have accordingly sent them a notice of intervention."

He maintained that statistics provided by the council itself showed that its performance in the sale of council houses gave it one of the worst records

Blow for Labour as 14 London councillors defect

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR PARTY yesterday suffered further serious erosion of its local government support in Inner London as three defections passed control of Islington Borough Council to the Social Democratic Party and a further 11 councillors in Southwark defected from Labour to the SDP.

Both events underline the malaise of the formerly dominant Labour groups in these two boroughs. The defections which include long-serving council committee chairmen—will significantly weaken Labour's standing in the London borough elections next May.

Islington will be the first SDP-controlled council in the country. Three former Labour councillors joined the SDP, giving the party 26 seats to Labour's 24. The Tories hold two seats.

The decision by the three councillors follows the resignation from the Labour Party of Mr George Cunningham, MP for Islington South and Finsbury, who has become a Labour Independent member.

The three said they could no longer "reconcile beliefs in representative democracy and parliamentary socialism with the increasing intolerance and extremism of the Labour Party in Islington."

In particular, they were worried about "the proposed subordination of elected councillors to Labour Party committees."

Councillor Bill Moroney complained of infiltration into Labour decisions by public sector unions and specialist interest groups.

The new SDP controlling group said that until the elections in May, they will run the council "on a care and maintenance basis" while working out detailed policies.

The said their priorities were: fighting to keep down rate rises; maintaining the 40,000 homes owned by the council; giving priority to the elderly and handicapped, and creating new jobs. The SDP council also intends to sell up to 750 homes, over half of them derelict.

In Southwark the 11 defecting

George Cunningham

councillors include the former Labour whip, the chairman and vice-chairman of the housing committee, and councillors from solidly working-class wards. They will join three existing SDP councillors compared with seven Tories and 43 Labour.

The new councillors said "extravagant and unworkable left-wing policies are being plotted, and bitter left-wingers prepared as candidates for launching on an unsuspecting electorate for the council elections in May.

"Such views and people are alien to our beliefs and against the interests of the people of Southwark."

Ironically, the 11 defections will cause a split between the Liberals and the SDP in Southwark. The Liberals are embarrassed by the defections, and say that the new SDP councillors represent the old style right-wing Labour machine politics of the type the alliance should avoid.

A similar concern is apparent among SDP members in Islington over the quality of some of their councillors. Southwark Liberals and the SDP have not yet agreed on the division of seats to be fought at the next local authority election in May.

Silkin says nuclear arms 'a pretence'

By Robin Reeves, Welsh Correspondent

BRITAIN would abandon a pretence by abandoning nuclear weapons, Mr John Silkin, Labour's defence spokesman, said in Cardiff last night.

In his first speech since his appointment, Mr Silkin told a meeting of Cardiff West Labour Party that there were no credible circumstances in which Britain would use the Polaris missile system independently of Nato.

Mr Silkin, a committed unilateralist, continued: "We are in the undignified and dangerous position of purporting to have our fingers on the nuclear trigger while in reality keeping those fingers tightly crossed in case someone calls our bluff."

British defence policy needed a "thorough overhaul." It was time to reappraise the assumptions and objectives on which it is based, and the environment in which it would have to be implemented for the rest of the 20th century he said.

Allowing Britain's "dubious membership" of the nuclear club to lapse did not necessarily render the country any more defenceless than the majority of Nato states which had no nuclear weapons.

Mr Silkin insisted Labour's defence policy must continue to be based on the principle of collective security and Nato membership, even though Britain, he argued, was still paying a disproportionately large share of the bill for the defence of Europe.

"We accept that freedom must be defended and that, if it comes to it, fought for. We ceased being a pacifist party before the coming of World War Two; we are not about to become one now. Britain must continue to shoulder a substantial defence bill; that is inescapable," he said.

Defending Nato membership, Mr Silkin said the minority within the Labour Party favouring withdrawal should appreciate that the cost of "going it alone" would push Britain's defence bill up, not down.

Labour also recognised that over 1m jobs were involved directly or indirectly in the defence sector of the economy.

"We must ensure that workers in the aerospace, shipbuilding, engineering and electronics industries have no need to fear for their jobs when they examine Labour Party policy."

"Labour's front bench teams on defence and industry were determined to work together to assess the full consequences of any proposals for defence and disarmament," he added.

Commons to adjourn on December 23

THE House of Commons will adjourn for the Christmas holiday on Wednesday, December 23, returning on Monday, January 18.

Ministers fail to agree on limiting rates rises

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT still hopes to be able to go ahead with its proposed legislation for limiting local authority rate increases before Christmas. But at a Cabinet committee meeting yesterday morning, senior ministers again failed to reach a conclusion on alternative sanctions to the original proposal, now dropped, for using referendums.

An announcement is unlikely to be made until after the House of Lords has ruled on the legality of the Greater London Council's supplementary rate to subsidise London Transport fares. This has implications for the big transport element in councils' budgets.

Meanwhile, the Government's long-awaited consultative Green Paper on longer-term proposals for replacing domestic rates will be published the week after next. This will outline a series of options without expressing any preferences.

Prison reforms may be counter-productive

BY LISA WOOD

THE GOVERNMENT'S reform *package on prison building and* partially suspended sentences, announced on Wednesday, may do little to alleviate the continuing crisis in Britain's overcrowded and often decaying gaols.

Not only will the power for magistrates partially to suspend sentences take some months to become operative in the courts, if approved by Parliament, but it could actually increase the prison population.

Both magistrates and prison reform groups have voiced fears over the operation of the powers enshrined in the 1977 Criminal Law Act for courts to suspend part of a prison sentence

Mr Paul Cavadino, of the National Association for the Care and Resettlement of Offenders said: "The intention is laudable but if courts are given new powers they will probably use them instead of a non-custodial sentence."

Estimates

"Favourable estimates suggest that the new power could reduce the prison population by 4,000, while those who fear magistrates will give offenders a taste of prison suggest the population could go up by 5,000. My own guess is the prison population will probably go up slightly."

Mr Cavadino, like representatives from several other organisations concerned with prison reform, points out that the automatic supervised parole scheme for prisoners serving shorter sentences, bitterly opposed by the judiciary and abandoned by the Home Secretary, could have reduced the prison population by some 7,000.

The Government, which earlier this year was critical of the impact of partially suspended sentences, now expresses optimism about *responses after extensive consultation.*

This is despite the slow response over the last two years to voluntary reductions in sentence lengths.

Earlier this week the Rev Peter Timms, a former governor of Maidstone Prison, said Britain had a "punitive obsession" and asked rhetorically *whether sentence lengths* had not been significantly reduced because of "judicial belligerence or judicial weakness."

If it was judicial belligerence, he said, it was now time for Parliament to take legislative *action to force courts to give* shorter sentences.

The only way to resolve the problem was "courageous action" by the Government to reduce maximum sentences.

The fourth report of the Commons select committee on the prison service, *published in* July, said that shorter sentencing and additional resources are complementary means of reducing the prison population, not alternatives.

But the Government's decision to spend resources on two new prisons has been widely attacked. There is tentative evidence from the U.S. that more prison accommodation encourages greater use of imprisonment.

This view has been endorsed by the Howard League for Penal Reform. Mr Louis Blom-Cooper, its chairman, described the decision to build two more prisons at Bovingdon, Hertfordshire and Lockwood, Oxfordshire, as "a disaster." Experience indicated, he said, that the courts would use any extra places provided.

The Howard League, in evidence to the select committee on the prison service recommended a moratorium on all new prison building, with executive action to bring down sentence lengths and closure or extensive re-furbishing of old buildings.

On present estimates it would cost some £1bn to bring all Britain's prison accommodation up to standard. Mr William Whitelaw, the Home Secretary, said on Wednesday that 14 major capital programmes of refurbishing projects were in *progress in the current* financial year, costing some £23m.

He said there was to be an "important enhancement of the redevelopment programme" in 1982-83. The Home Office said yesterday that it was unable to quantify that.

Meanwhile, in Manchester, prison officers at Strangeways were still refusing to take any *further inmates on remand or* people convicted in magistrates' courts until demands for better facilities are met.

Mr Sid Powell, secretary of the prison governors branch of the Society of Civil and Public Servants, said in response to the Government's proposals:

"Our feeling is that it does not go far enough. Clearly the timescale involved when he is talking about new prisons is a long-term one. Our problem is here and now.

The governors' branch, which represents some 550 members in England and Wales, has called for "some kind of amnesty" to reduce the burden on the penal system. Such a move has been strongly opposed by Mr Patrick Mayhew, Minister of State at the Home Office.

● Major changes in the sentencing and treatment of young offenders are proposed in the Criminal Justice Bill, published yesterday.

The Bill implements recent Home Office announcements abolishing inderterminate borstal training and imprisonment for offenders aged under 21.

Instead, courts will be able to make detention centre orders for between three weeks to four months and pass youth custody sentences of longer than four months.

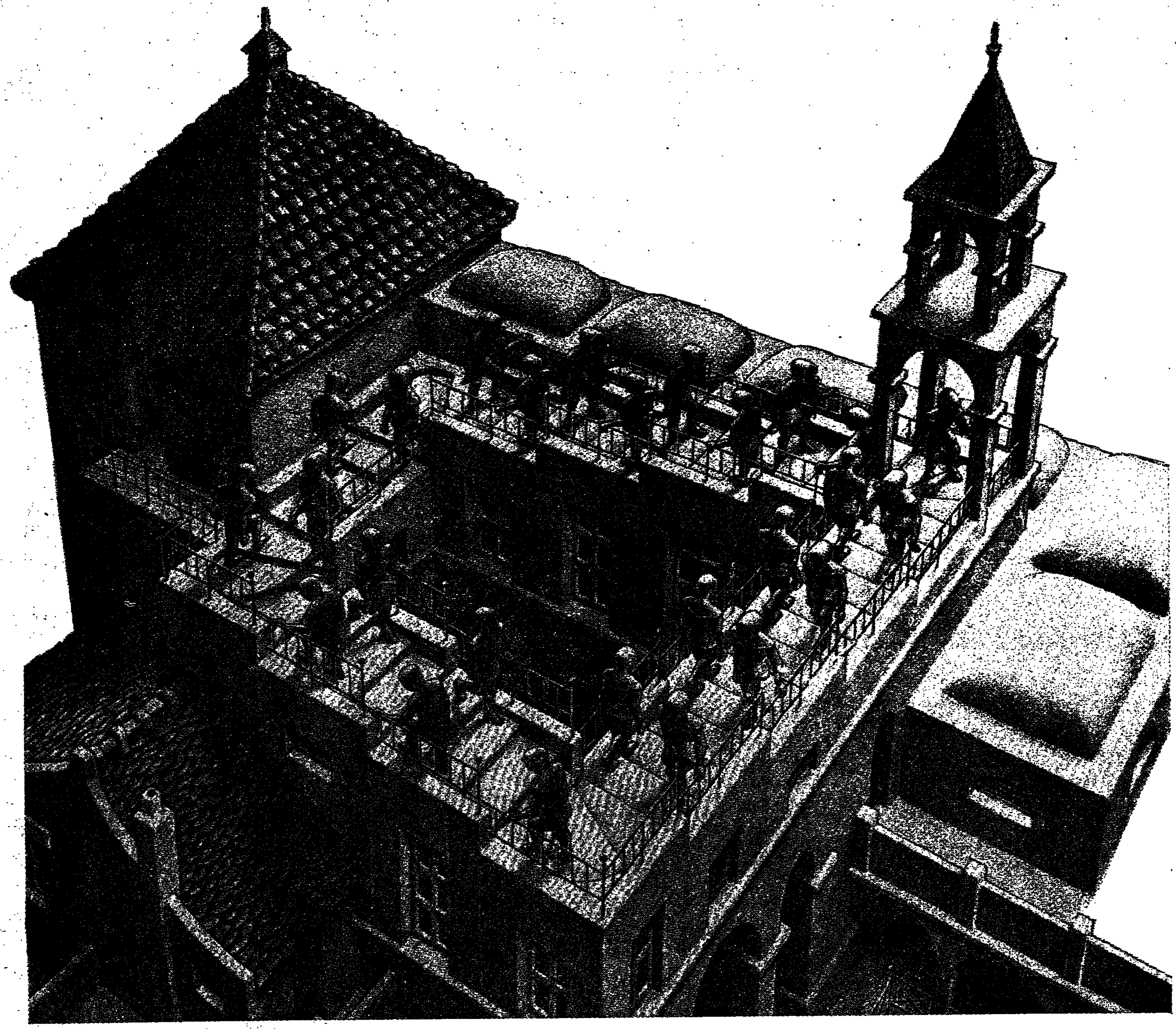
The courts will also be able to order juvenile offenders to take part in specified activities, such as community service.

The bill will make parents or guardians responsible for paying a fine, compensation or costs awarded against a juvenile.

BASE LENDING RATES

A.B.N. Bank	14½%	■ Guinness Mahon	14½%
Allied Irish Bank	15 %	■ Hambros Bank	15 %
American Express Bk.	15 %	Heritable & Gen. Trust	15 %
Amro Bank	15 %	■ Hill Samuel	§14½%
Henry Ansbacher	15 %	C. Hoare & Co.	†15 %
Arbuthnot Latham	15 %	Hongkong & Shanghai	14½%
Associates Cap. Corp.	15 %	Knowsley & Co. Ltd.	15½%
Banco de Bilbao	15 %	Lloyds Bank	15 %
BCCI	15 %	Mallinhall Limited	14½%
Bank of Cyprus	15 %	Edward Manson & Co.	16 %
Bank Street Sec. Ltd.	16 %	Midland Bank	14½%
Bank of N.S.W.	15 %	■ Samuel Montagu	14½%
Banque Belge Ltd.	15 %	■ Morgan Gren. Bl.	15 %
Banque du Rhone et de la Tamise S.A.	15 %	National Westminster	14½%
Barclays Bank	14½%	Norwich General Trust	14½%
Beneficial Trust Ltd.	16 %	P. S. Refson & Co.	15 %
Bremar Holdings Ltd.	16 %	Roxburghe Guarantee	15½%
Bristol & West Invest.	16 %	E. S. Schwab	15 %
Brit. Bank of Mid. East	14½%	Slavenburg's Bank	15 %
■ Brown Shipley	15 %	Standard Chartered	‖15 %
Canada Perm't Trust	15½%	Trade Dev. Bank	15 %
Cavendish G'ty T'st Ltd.	15½%	Trustee Savings Bank	14½%
Cayzer Ltd.	15 %	TCB Ltd.	15 %
Cedar Holdings	15 %	United Bank of Kuwait	14½%
■ Charterhouse Japhet	15 %	Whiteaway Laidlaw	15½%
Choulartons	15½%	Williams & Glyn's	14½%
Citibank Savings	¶15 %	Wintrust Secs. Ltd.	15 %
Clydesdale Bank	14½%	Yorkshire Bank	14½%
C. E. Coates	15 %		
Consolidated Credits	15 %		
Co-operative Bank	*14½%		
Corinthian Secs.	14½%		
The Cyprus Popular Bk.	15 %		
Duncan Lawrie	14½%		
Eagil Trust	14½%		
E. T. Trust Limited	15½%		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	15 %		
Grindlays Bank	‡15 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%, 1-month 12.75%. Short term £8,000/12 months 15.10%.
† 7-day deposits on sums of £10,000 and under 13%, up to £50,000 13¼% and over £50,000 14%.
‡ Call deposits £1,000 and over 13%.
§ Demand deposits 12¼%.
‖ 21-day deposits over £1,000 14%.
¶ Mortgage base rate.



SOMETIMES EVERYTHING'S NOT WHAT IT SEEMS...

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THE PROPERTY MARKET

BY MICHAEL CASSELL

Australian saga pays off for MEPC

THIS WEEK'S portfolio revaluation from MEPC not only saw the group's Australian operation contributing 25p towards the 87p uplift in net asset value but it also represented a powerful vindication of its decision to stay Down Under when the going got tough.

For times have not always been so rosy for MEPC in Australia and the happy tale now emerging was expected by some to have degenerated into a horror story.

The group has been in Australia for many years but its principal act of faith in the market came in 1976 with the decision to build the 415,000 sq ft Exchange Centre in Sydney. MEPC was in partnership with Mainline, an Australian developer and contractor, to develop the Sydney site and the Stock Exchange was lined up to take space in the proposed tower.

In the event, the Australian economy went horribly wrong, Mainline went bankrupt and MEPC was left with an 80 ft deep hole as well as another joint project at Discovery Bay in Hawaii.

According to Christopher Benson, MEPC managing director: "We were in something of a spot. We had given a deadline date to the Stock Exchange but we could not make a start. Eventually, we bit the bullet and built it, although we were widely criticised for going ahead."

Now, the building is completed and fully let and although MEPC are not giving any details on rental income it seems that the tower now has a market value of around A$100m, compared to the forecast 1979 completion value of about A$38m.

MEPC is now looking forward and is planning to allocate about one-third of its £80m development programme to new Australian schemes. Work has started on a 32,000 sq ft office building in Walker Street, north Sydney —where MEPC will take headquarters space—and a 68,000 sq ft office project is also under construction in Melbourne.

The Australian operation is already contributing about 12 per cent of group gross rental income (7 per cent in 1980) and this is likely to rise to about 15 per cent on the back of a market which is enjoying its biggest boom for a decade.

MEPC is also stepping up development in the United States and, in view of the group's belief that it is prudent to finance some part of its expansion with debt, another rights issue next year looks a distinct possibility.

Realism finally raises its head

IN MUCH the same way that an economic recession traditionally takes time to inflict itself upon the commercial property market, so those who earn their daily bread from property display a comparable tardiness when it comes to accepting that all is not well.

But the time for a little old-fashioned realism has arrived. The UK commercial property market has caught up with the rest of the country and no amount of wishful thinking is going to help avoid one of those rough patches in which the long-term essence of property investment tends to receive somewhat more emphasis than the distinctly unappetising short-term outlook. "Underlying strength" has replaced "rip-roaring rental growth" as the jewel in property's crown.

Blemishes on property's recently clear complexion have been breaking out for some time but events in the marketplace are gathering momentum and talk of the sector's state of health can no longer be confined to bemoaning the state of the industrial market or to pointing up weakening secondary values.

As deteriorating, short-term prospects become less easy to deny, so the property world begins to face up more openly to what lies ahead. There is no talk of disaster, but how much more difficult it has become for agents and surveyors to apply the usual heavy lashings of enthusiasm to the analyses and forecasts they regularly serve up.

Some agents have been braver than others in spelling out the real position. Edward Erdman conceded that, with the exception of the investment sector, there are now few elements within the property market capable of inspiring short-term optimism. Weatherall Green and Smith came as close as decency permits in declaring that the Holborn office market—attendant upon that high altar of UK property to be found a little further to the east—is looking distinctly shaky on its legs.

Hillier Parker confined itself to indices rather than to potential indiscretions, but the impression which emerged from its figures was just the same: rents are falling further behind in the race against inflation.

This week it was the turn of Vickers da Costa, the City brokers, to give an outsider's view of what is happening on the inside. Its findings suggest that, to keep a clear distance between the observer and the object of his attentions, would seem to provide a clarity of vision which those closer to the action might not always possess.

The broad and sensible conclusion to be drawn from the latest report is that the economic recovery which was soon to herald in the next upsurge in tenant demand and rental levels has now been pushed further back and that, as a result, the property market faces a continued period of weakening demand and rising available space.

Nowhere, according to the brokers, is going to escape the effects. The view is that the central London office market—where rents have until now managed to stay in touch with inflation—is about to feel the real pinch and that while rental levels should not generally fall in cash terms they might be hard-pressed to move up over the next year by more than half the expected inflation rate of 10 per cent. The prospect of still higher inflation and even lower rental growth is also floated and Vickers—which admits there will be exceptions to the rule—says it would not be surprised to see incentives like rent-free periods appearing in central London.

The brokers say the underlying recovery which was beginning to be detected in the industrial sector seems set to stop, the outlook for office rental growth is limited and patchy while shop rents are likely to continue falling in real terms well into 1982. They add: "Of the five factors we monitor for indicating relative strength in the property sector, all are either in neutral or negative positions."

All is not lost, however. Vickers proclaims its continuing confidence in the property market's ability to respond "in late 1982 or the beginning of 1983" to a revived economy and claims the prospect of sharply rising rents justifies a continued, above average holding in property shares. Investors should, however, expect "an uncomfortable market performance" for perhaps the next six months.

It is on the investment front that property's star still shines and—despite the state of the market—investment values and purchasing interest have remained strong. Investment yields so far appear to be holding firm and it would certainly need a continuing period of low rental growth and thus a slow down in investment values (by no means out of the question) before current yield structures weaken. Brokers like Quilter Goodison certainly expect investment activity next year to press on undeterred.

Healey & Baker this week chose to adopt the "long-term perspective" option in analysing the current situation. Their yield graph remains unchanged and the agents say that, while present rates of rental growth are "disappointing," the long-term investor should take advantage of relatively conservative prices by buying high quality stock (supposing he can find any) in anticipation of the economic recovery which H & B at least seems certain will follow in due course.

They say there are more purchasers in the market than there were six months ago and emphasise that, although there may be a 12 month delay before material growth returns to certain sectors of the property market, acquisitions made today should not be entirely influenced by the present state of the economy's various sectors but rather by what the future may hold. Sound advice indeed — if the future turns out as accommodating (in every sense) at it is inevitable.

St Martins buys Brussels office block

THE LATEST property to be popped into the European shopping basket of St Martins Property Corporation is Taylor Woodrow's 175,000 sq ft office building at 15, Rue de la Roi in Brussels.

As reported here last week, St Martins has been busy buying prime property in Europe and the latest acquisition has cost them £10m. The building is on the corner of Avenue des Arts and among the tenants are Algemene Bank, Midland Bank, British Steel and Federal Airways. Average rents are BFr 3,250. Richard Ellis acted for the vendors.

● Barclays Bank has agreed to take Fleetway House, Farringdon Street, City, the 96,000 sq ft office scheme just completed. Letting agents Jones Lang Wootton and Bell-Ingram were asking £1.57m but Barclays, advised by Knight Frank and Rutley are thought to be paying about £1.5m. The freehold is held by Pensman Nominees. Norwich Union provided £10.5m in development finance.

● Norwich Union is the funding partner for the Greycoat London Estates/British Rail plan for a £45m office development above London's Victoria Station. NU will take a 150-year lease from BR on completion of the scheme, scheduled for 1984. The deal is thought to be based on a similar formula to that achieved by Greycoat with Legal and General at 250 Euston Road. On this basis Greycoat London will receive around 16 per cent of the rental achieved on the Victoria scheme.

● Trusthouse Forte has paid $15.5m for the Alrae Hotel on 64th Street, between Madison and Park Avenues in New York. The hotel is to be transformed "into the most deluxe in New York." Douglas Elliman Knight Frank and Brener and Lewis acted as co-brokers.

● Hill Samuel Property Unit Trust has paid about £5.25m for the long leasehold in Cunard House, 15 Regent Street, London SW1. The property is let to Sterling Guarantee, a Town and City subsidiary, and Saatchi and Saatchi. It produces a rent in the region of £465,000 a year. The vendors were represented by Donaldsons.

● Hambro Life Assurance has paid around £6m for Honeywell House, Charles Square, Bracknell. The building, sold by the development corporation, has 46,500 sq ft of floorspace and commands gross income of £196,650 a year. CIN Properties have bought four other town centre blocks for about £3.25m. Hillier Parker May and Rowden acted for Bracknell.

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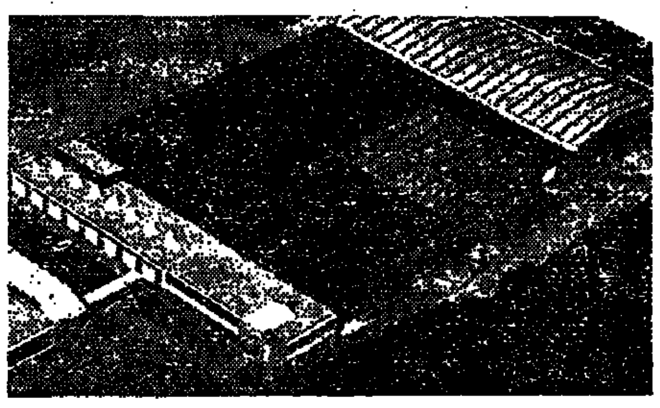

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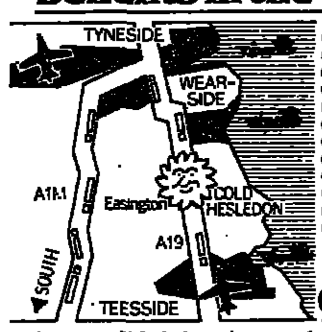

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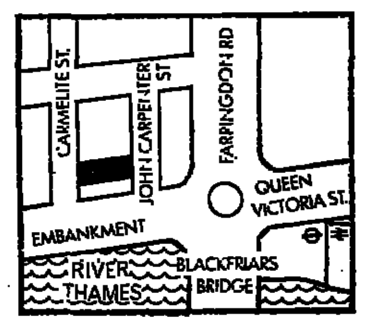

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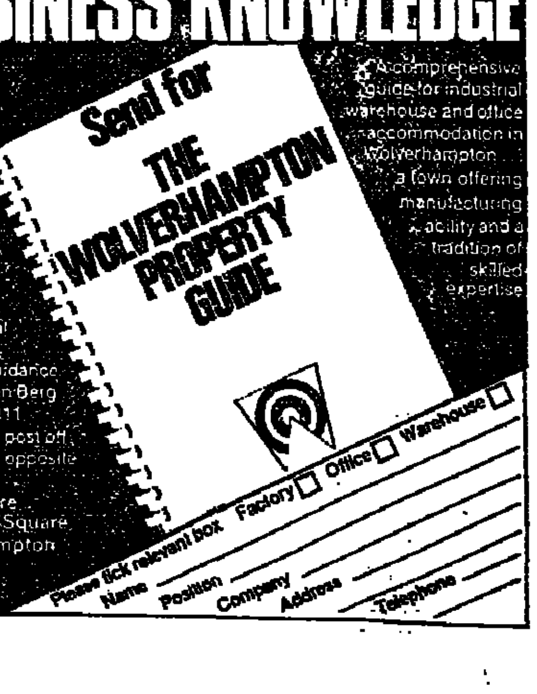

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UK NEWS—LABOUR

Watering down the opposition

BRIAN GROOM and IVO DAWNAY study the implications of the oil tanker drivers' settlement

THE COLLAPSE of opposition by tanker drivers in the main oil companies to an 8.1 per cent pay offer is likely to reinforce the determination of employers throughout the oil industry to restrict settlements to that level in the current round.

Among the smaller and medium-sized companies, drivers and distribution workers at seven of Total's nine terminals yesterday lifted their overtime ban following the refusal of Esso, Shell and Texaco drivers to mount strikes.

However, 94 workers at Grays, Essex, and Langley, near Slough, voted to continue the ban, which began on Friday.

All 350 workers at the nine terminals will vote on the 8.1 per cent basic rate offer at meetings on Monday.

A rejection would lead to an all-out strike, but the decisions in the major companies reduce the likelihood of such action.

About 80 Chevron drivers and depot workers who have been on strike for a fortnight in pursuit of a similar 11 per cent claim, are to vote again on the company's 8.1 per cent offer today.

Chevron, which refused to increase the offer during four hours of talks with shop stewards yesterday, said it hopes the strikers will return to work on Monday.

Many of Chevron's fuel stations have run out of petrol and trading losses for the current year are expected to amount to about £20m.

In the refineries, Texaco reached an 8 per cent deal earlier this week with 400 members of the Transport, Engineering and Electricians' unions at its Milford Haven refinery in Wales.

Shell is standing firmly by a "final" 8 per cent offer to its 3,400 manual workers in four refineries and at the Carrington chemicals complex, near Manchester.

The Transport and General Workers' Union has threatened sanctions but an internal wrangle over the union's constitution has prevented votes from being held on the recommendation for over a week.

Vauxhall offers staff 1% extra in effort to avert hours claim

BY JOHN LLOYD, LABOUR CORRESPONDENT

VAUXHALL MOTORS, which recently agreed a 5 per cent rise and a one-hour cut in the working week with its manual workers, is seeking to avoid a chain reaction on demands for cuts in working hours by offering white-collar workers 6 per cent if they do not also press for a one-hour reduction in their working week.

The Vauxhall negotiations, which are likely to continue until next week, highlight anxiety among a number of employers that pressure for harmonisation of working hours between manual and white collar workers may force further cuts in hours which cannot be recouped through productivity.

Many white-collar workers have a working week of 37 hours less, while manual workers have only recently begun to win a 39-hour week.

Vauxhall has told major office union, the white-collar engineering union AUEW Tass, that it will be prepared to pay its staff 1 per cent on top of the 5 per cent—if it drops its demand to cut the working week from 37½ hours to 36½ hours. The cut would be required to maintain the "hours differential" between the two groups.

Talks with the other white collar unions will continue today and next week. The company, which would not comment on the talks last night, has already dropped some of the conditions attached to the offer.

Evidence from elsewhere in industry now shows that managements have attempted to cut 12 minutes off each working day rather than one hour off one working day—usually Friday—in order to relieve pressure for harmonisation.

A survey by the pay research group, Income Data Services, shows a number of companies have sought ways of dealing with the "hours differential" problem. Both Plessey's plant, Poole, and Smiths' Industries plant, Cheltenham, have increased rates to the staff rather than cut hours.

Others — like Ford, Westland Helicopter and Coventry Radiator — have taken 12 minutes off each working day, while Rolls-Royce, in Derby, has given a half-hour off each day on Wednesdays and Thursdays.

Some firms have taken the opportunity presented by the agreed shortening of the working week in the engineering industry to restructure work patterns more radically. Lucas CAV, Rochester, has introduced a pilot scheme under which workers work a nine-day fortnight, but each shift is lengthened by 40 minutes. The scheme is to be reviewed at the end of January.

Matthews gives pledge to Express unions

By Our Labour Correspondent

LORD MATTHEWS, chairman of Express Newspapers, told print union leaders yesterday that he had no plans to sell off the newspapers, although he did intend to hive off the group from its parent company, Trafalgar House.

Lord Matthews claimed the group's interests would be served better if it was an independent company. The separation of the Express group from Trafalgar would not adversely affect employees' interests, he said.

He has also denied that the group is planning a merger with Associated Newspapers, which prints the Daily Mail and is shortly to launch a Sunday newspaper to rival the Sunday Express.

He told the union general secretaries that a sale could have been accomplished without a separation.

However, some union officials later said Lord Matthews' statement raised more questions than it answered.

The National Union of Journalists, in particular, is still uncertain as to whether the reasons given by Lord Matthews on the separation—that he would have a freer hand to run the papers, and that they would be able to respond more rapidly to changing conditions in the market—are sufficiently strong to allay all suspicion of a future sale.

It believes Lord Matthews's statement yesterday leaves open the possibility that no further investment will take place in Manchester after the new building for the group is completed, and that the planned £13m investment in the group may be cut back. The union is likely to seek further meetings with the company to press these points.

However, other print unions took the view that the assurances on sale of the papers and on employment weresufficiently strong to satisfy them at least for the time being.

Young Workers Scheme set for January launch

BY OUR LABOUR STAFF

EMPLOYERS can start applying from Monday for allowances of up to £15 a week under the Young Workers Scheme, the Department of Employment said yesterday.

Application forms for payments under the scheme which are payable from January 4, can be obtained from Department of Employment regional offices.

Employers can claim payment for workers under 18 in their first year of full-time permanent employment. The scheme allows:

- £15 a week for each employee whose gross average earnings are less than £40 a week.
- £7.50 a week for each employee whose gross average earnings are £40 or more, but less than £45.

The scheme, announced by the Prime Minister in July, was criticised by an independent trade union organisation yesterday.

A survey published by the Labour Research Department said the scheme will hold down young people's pay rates to levels below those of two years ago.

The department estimates that pay for young male manual workers, under the age of 18, averaged £48.60 at April 1980 and is estimated to have reached £58.36 by August this year.

However, the organisation warns that the Government's plan to offer grants to employers paying young workers less than £45 per week is likely to depress young people's wages.

In a separate survey, the LRD claims that earnings of Britain's 700,000 office cleaners have fallen behind other workers over the last five years. The organisation blames the growth of low-paying contract cleaning companies.

P&O ferry crews back lay-up deal

By Our Labour Staff

CREWMEN from P & O's two Liverpool to Belfast ferries yesterday voted overwhelmingly to accept severence terms negotiated by the company with the National Union of Seamen.

About 165 seamen, who had been occupying the ships since the service closed last month, will receive suspended service payments of more than £2,000 while they wait to be redeployed on a ferry service expected to open in the New Year.

Six men, aged over 60 and with 20 years' company service, will receive severance pay of betwen £10,000 and £20,000.

The seamen ended their industrial action last week when Northern Ireland office officials agreed to reveal the identity of a new operator for the route to the Advisory, Conciliation and Arbitration Service.

Acas assured the NUS earlier this week that the unnamed operator would be prepared to run the service under the British flag and with British crews, in line with agreements approved by the General Council of British Shipping.

It is thought that the new service will open soon after the New Year with one ship. A second vessel will be introduced as soon as there is sufficient demand.

Franchise jobs drive

BY ELAINE WILLIAMS

A SCHEME to encourage the unemployed to become businessmen was announced yesterday by the British Franchise Association.

Mr Duncan Whitfield, BFA chairman, said in London that up to 50,000 new jobs could be created if more people took out franchises in the service and distributive markets.

The association hopes to favour the unemployed who seek to take out franchises.

Mr Whitfield said: "There is a need for some initial capital costs, but this could be as low as £1,500 as the remainder around £5,000 could be easily financed."

The association's members employ about 20,000 people, through franchises accounting for about 4,400 outlets. This is expected to increase by 10 per cent by the end of 1982.

The average initial cash requirement to buy a franchise has risen from £16,000 in 1980 to £18,500. However, the association says royalty fees which are paid on a franchise have fallen from 11.74 per cent of gross turnover to 10.7 per cent.

The association claims that the return on initial investment is seen in 1.9 years and full costs are recouped after 3.2 years.

Kitson attacks Gibraltar closure

FINANCIAL TIMES REPORTER

TWO Transport and General Workers' Union leaders who have been meeting the Governor and Chief Minister of Gibraltar will demand immediate talks with the British Government over the plans to close the naval dockyards there.

The TGWU said yesterday that the British Government announced the closure plans "without any prior consultation with the unions in Britain who represent their members in Gibraltar."

The TGWU general executive council sent deputy general secretary Mr Alex Kitson and national secretary Mr Mick Martin to Gibraltar to meet TGWU members.

Mr Kitson said: "The Royal Naval dockyard is the jugular vein of the economy of Gibraltar and its closure is both a catastrophe and betrayal of all the assurances given to the people of Gibraltar by successive British Governments.

After meeting Sir Joshua Hassan, the union leaders said their members in Gibraltar were prepared to fight the closure and would be given full support by the union.

The TGWU claimed that the closure was connected with the discussions between the British Government and Spain, "and was the first step in the sell-out of the Gibraltar people in order that Spain could join Nato and the EEC."

Mr Kitson added: "We will be demanding a meeting with the Government as soon as we arrive back in Engand and a delegation from Gibraltar will follow shortly."

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Around the turn of this century, it became the National Sporting Club, where enthusiasts cheered at boxing matches.

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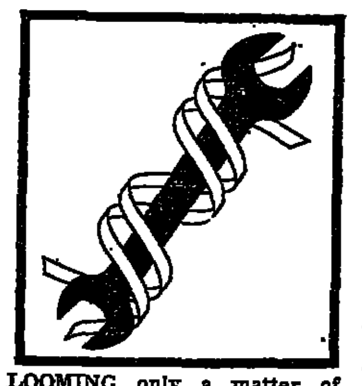
TECHNOLOGY

EDITED BY ALAN CANE

Biotechnology Part 9

By DAVID FISHLOCK, Science Editor

Windowless eye on pathogens



LOOMING only a matter of weeks away is the biggest challenge yet for the watchdogs for public hazards from genetic engineering in Britain. They will be asked to approve the biotechnology pilot plant of G. D. Searle and Co., nearing completion in the Chilterns just outside High Wycombe.

"There's nothing like it in the world," claims Dr Arthur Hale, the medical scientist who, as head of Searle's European pre-clinical research and development, planned the £6m project.

Sealed securely within a windowless building, sandwiched between two dense layers of services, are ranks of gleaming fermenters nestling in a jungle of colourful plumbing.

Teams of scientists from Searle's adjoining biotechnology laboratories will bring selected experiments, two or three at a time, to the pilot plant. They will work closely with the new plant's 30 technologists to scale up their processes 100-fold, up to 350-litre fermenters.

Dr Hale planned the project with the idea of perfecting perhaps one new technology a year, to the point where it could confidently be transferred to the factory.

But first the company must convince the Genetic Manipulation Advisory Group (GMAG) that no wandering pathogen could escape from this plant, to threaten High Wycombe. The big question for Searle is whether GMAG, until now preoccupied with hypothetical scientific hazards, has the expertise to assess the safety of industrial process plant.

Budget

For Searle is in a hurry to exploit leads in new drugs it believes it has built up with a long-range research programme dating back to the mid-1960s. It has recruited a biotechnology team of 125—one of the world's biggest—spending about £4m a year of a corporate research budget of about £40m.

"Nobody believed me," says Hale, when news of the first successful manipulations of genetic material (DNA) were reported from California in the mid-1970s.

He had tried to tell his management that Searle was already well placed to take any advantage that might come from genetic engineering. He was already making the enzymes needed to slice up and resplice the genetic material, DNA. Indeed, Searle was selling the enzymes in small quantities to help diagnose diseases.

In 1977, he told a meeting of executives that someone, somewhere would make a therapeutic drug by genetic engineering inside two years. "I was wrong—it was done inside nine months."

In the next 18 months, two pieces of research in Dr Hale's laboratories convinced Searle's management that his team were in the vanguard of commercial research in this field. One was to resolve the complete nucleotide structure of a very complex polypeptide called influenza virus haemagglutinin, as the first big step towards a new kind of 'flu vaccine.

The other was to discover how to make aspartame—Searle's new sweetening agent, currently made by chemical reactions—by a genetic engineering process. "These two things convinced the company that we knew what we were doing."

Dr Hale, *fortified by these* successes, wrote a proposal identifying which of the many potential agents he believed might be made by biotechnology, and which might also prove to be therapeutically useful.

The research plan was approved by Searle's board. It included a very versatile pilot plant, designed to solve the tricky problems of scale-up and technology transfer from laboratory to factory.

Biotechnology yields can plummet to vanishingly low percentages during the transfer *from lab glassware to stainless* fermenters. The pilot plant would also be trying to make enough of a new drug for clinical trials.

Interferon is the only drug disclosed by Searle so far which is to be made in the new plant. "In my opinion it is a very effective anti-viral, which will be used if it can be made cheaply enough."

In 1979, the laboratory discovered how to produce interferon by cell culture in comparatively large quantities, using stack plate technology, which halved previous costs. *This fibroblast interferon, grown* from embryonic connective tissue, Searle also considered safer than lymphoblastoid interferon, made by some of its rivals. Indeed, Searle's interferon was the first to be cleared for clinical research, in 1977.

Its stack plate technology for culturing interferon — already in production in the laboratory — will be the first to transfer to the pilot plant. It will be producing a variety of interferons.

But GMAG will also be asked to approve the transfer of several other technologies now sealed for safety inside Searle's containment laboratories. They are products of genetic engineering, the manipulation of genes and their subsequent cultivation by biotechnology.

All Dr Hale will say until they are in production is that Searle has pursued peptides with roles in such areas as cardio-vascular, neurological and gastro-intestinal disorders. It has picked out well-characterised peptides where the therapeutic value was already established. "And we're quite well down the path."

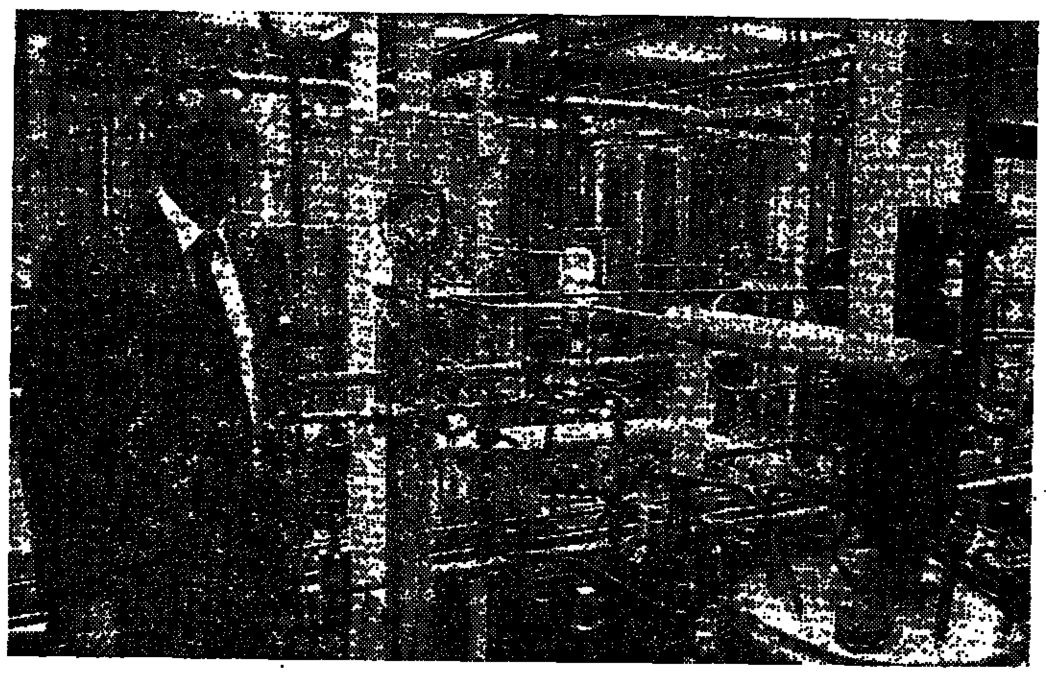
The next few months will be critical for Searle's biotechnology ambitions. First, it must get GMAG's approval; although in the opinion of Sir William Henderson, chairman of GMAG, when it approved the original plans, Searle "leaned over backwards" to accommodate GMAG, at considerable expense.

But the second big hurdle will be the yield. Dr Hale is aware that biotechnology processes for proteins which have looked promising in the laboratory can show yields of 0.1, even 0.01 per cent on scale-up. He is looking for at least 1 per cent, "preferably 10 per cent."

Here, he believes, a lot of the small entrepreneurial biotechnology companies must come to grief. They have neither the technological skills nor the knowledge of the government regulatory machinery built up by an established drug company. "Laboratory scale is relatively easy compared with pilot scale," Dr Hale says.

He also points out that, committed though Searle may be to a future in genetic engineering, it will not be a corporate disaster if everything fails. Big as its biotechnology group has grown, it is still spending only one-tenth of Searle's corporate R and D budget.

Next week: Wellcome Foundation



Dr Arthur Hale of G. D. Searle: "Nobody believed me"

'A glorified mangle'

MR WILFRED ROUND, project leader, tool design at Lucas Aerospace Fordhouses, Wolverhampton, has won the Design Council 1981 Production Engineer Prize for this pipe-bending machine. It is being used to bend stainless steel tubes on the RB 199 engines for the Tornado multi-role combat aircraft. Design Council judges were impressed by the "economy, simplicity and innovation of the machine." Mr Round said it was "really just a glorified mangle." Lucas Industries is at Great King Street, Birmingham. (021 554 5252)

Coal check by radar

MARCONI AVIONICS of Borehamwood is developing and testing a small radar set that will be used by the National Coal Board to measure the level of coal stored in underground vertical storage bunkers.

The radar dish is mounted at the head of the bunker and is line-connected to unit having analogue and digital displays of the bunker contents, together with outputs that can be used for control purposes. The design meets all the requirements for safe operation of such equipment in mines.

Like all radars, the device works by firing energy at the "target" (in this case the surface of the coal remaining in the bunker) and measures the time for signal return. The empty segment of the bunker is thus determined, yielding a measure of the coal remaining.

A frequency modulated continuous wave technique is used at J-band and the level of the material present can be measured to an accuracy of plus or minus five per cent over ranges up to 80 metres. More on 0634 44400.

GEOFFREY CHARLISH

Pipe-bending by induction heat

A PIPE bending machine using localised induction heating instead of furnace heating and progressive manipulation under manual control has been developed by Joshua Bigwood, Wednesfield Road, Wolverhampton (Wolverhampton 54125).

The machine can deal with tube and pipe up to 914mm (36 in) outside diameter, and is claimed to be particularly suitable for large diameter pipework in the power generation and petro-chemical fields.

The pipe is fed through the induction coil which results in uniform heating to about 1100 deg C for mild steel. Water and air cooling jackets at either side of the area being heated main*tain those regions of* the pipe at a lower temperature thus avoiding the need for mandrels.

The pipe is fed through the coil at a controlled rate by an hydraulic ram. A pivotting radial arm controls the bend radius. Compound bends can be manipulated with a bend radius between 0.6 to 5.50 metres.

Bigwood says that induction heating was chosen because it can be used to bend relatively thin pipe, results in less wall thinning, less ovality and more consistent metallurgical properties.

Tight radius bends to twice the pipe outside diameter can be manipulated to close tolerances, while wrinkling—a problem with conventional hot bending—is to all intents and purposes eliminated.

The company also claims that gusset bends can be avoided and the surface finish is superior to hot bent material.

The Bigwood bender can deal with carbon, alloy or stainless steels. Maximum bending radius is 18ft with the bending angle from 0 to 180 degrees.

MAX COMMANDER

Print system for chemists

THE MAIDENHEAD company Micro Scope has started producing a micro-based label printing and stock control system aimed specifically at pharmacists. It was developed jointly with Taylor Nelson Medical, the health care research organisation.

Costing only £1,275, the machine, called Scriptcounter, is the size of a small typewriter. It has keyboard, display screen and two label printers, one for standard labels and the other *for non-oral medicines allowing* preparations "not to be taken" to be clearly marked.

Abbreviated keyboard entry is used for the drug names and dosage. The labels, *however*, can accommodate up to six lines of 26 characters, providing ample room for complicated drug names. The information to be printed is first shown on the screen so that it can be checked and corrected by simple editing routines.

Quantities

The result is a crystal-clear description on the label. At the same time, all the data that is entered is stored on cassette and can then be sent to Taylor Nelson's computer centre for analysis. Reports on quantities used, values and other parameters are returned to the pharmacist in paper form. More on 0628 72047.

Canadian grant for radio paging

RADIO PAGING and intercom company Multitone of London has been awarded a grant of C$1m by the Canadian Government to develop a microprocessor-based automatic paging terminal.

The sum represents about half of Multitone's development costs for the terminal.

FINANCIAL TIMES SURVEY
Friday December 4, 1981

Nordic Countries
BANKING, FINANCE AND INVESTMENT

New economical realities, among them the discovery of oil off Norway and the declining competitiveness of much of Scandinavian industry, are slowly shaking up the institutions and mechanisms inherited from the palmy days when the welfare states were established. In the process the Nordic financial markets are being reshaped.

THE NORDIC COUNTRIES' BASIC STATISTICS
(money figures in national currency)

	Denmk.	Finland	Iceland	Norway	Sweden
Population	5.1m	4.8m	0.23m	4m	8.3m
Area (1,000 sq km)	43	337	103	386	487
GDP 1980	374bn	187bn	13bn	283bn	519bn
Percentage change	−1.0	+4.9	+2.5	+3.8	+1.4
Forecast change '81	−1.0	+2.0	+1.2	0	−0.5
Total labour force	2.62m	2.31m	104,000	1.95m	4.19m
Employed in mnfg.	374,000	570,000	19,000	384,000	930,000
Unemployed (%)	7.9	5.2	0.2	1.6	2.9
Exports (goods and services) 1980	124bn	63.5bn	5.8bn	135bn	153bn
Imports (goods and services) 1980	131bn	65.3bn	6.1bn	118bn	165bn
Current balance '80	−14.6bn	−5.2bn	−320m	+5bn	−21.6bn
Forecast 1980	−14.4bn	−3.0bn	−425m	+8.5bn	−17bn
Consumer prices—12 months to end-September (%)	12.0	11.4	50†	13.4	11.8

† Anticipated average rise from 1980 to 1981. Current dollar exchange rates: DKr 7.20; FM 4.35; NKr 5.70; SKr 5.45.

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Mexico: Banking Finance and Investment

Mexico's oil wealth has made it a magnet for the international banking community. Mexico's own banks too have started setting up overseas offices to raise funds for lending in the rapidly growing Mexican industrial base. In a special survey on December 18 FT writers will look at developments and the way in which the Mexican economy is coping.

Growth forecasts being hedged

By William Dullforce
Nordic Correspondent

THE NORDIC countries' combined economic growth this year is likely to be at a rate of less than 1 per cent. Denmark will suffer a decline in Gross National Product (GNP) in real terms; Sweden will be lucky to stay put; Norway will achieve scarcely any growth despite its income from oil and gas, while Finland's remarkable three-year economic recovery is slowing down to a more modest rate.

Better things are expected next year but small open economies like those of the Nordic group lean heavily on foreign trade, and with the U.S. economy faltering and the OECD economists lowering their 1982 estimates, Nordic forecasters are hedging their growth predictions.

After cutting back real disposable incomes by more than 8 per cent over the past three years Denmark is due for a recovery. Sweden hopes its exporters will regain market shares with the help of the September krona devaluation but the outlook for domestic consumption is poor.

Norway has a new Conservative Government promising a "dynamic" tax policy but even if it can be implemented it can scarcely take effect before 1983. With offshore oil and gas production at best levelling out for a couple of years, the prospect of Norway is an even lower rise in GNP next year.

Demand for Finland's pulp and paper products has weakened and its engineering industry reported a fall in orders in September. Investments, which have provided a strong stimulus to growth for *the past two years*, are expected to decline next year. But Finland, according to its Finance Ministry, is in a much stronger competitive situation *now than when it ran into* the recession of the mid-1970s.

The Nordic bloc continues to offer good business to foreign lenders. Its combined current account deficit this year will probably approach \$9bn. Norway can no longer be regarded as a deficit country but offshore development has to be financed.

A sharp drop in imports, including a 25 per cent cut in its intake of oil products, will substantially reduce Sweden's current deficit this year and the State Debt Office has been less active on the foreign money markets during the second half of the year.

Predictions differ about the movement of the deficit next year. Government economists expect it to be unchanged at around \$3bn but they assume that imports will grow to cover higher investment activity. That development could be delayed, allowing for a further decline in the deficit.

Improvement

Denmark has experienced a similar fall in imports this year but with net interest payments on its foreign debt taking some \$1.8bn there can be only the slightest improvement on the current balance. Interest payments will rise by \$275m again next year and the National Bank is forecasting a larger deficit.

The general election on December 8 could replace Mr Anker *Joergensen's* Social Democrat Government with a Conservative-Liberal coalition which is promising to make massive cuts in public spending and to give industry considerable tax relief.

If the non-Socialists do win office this month the Nordic bloc—traditionally a stronghold of social democracy—would be in the remarkable situation of having non-Socialist administrations in three of the four countries and a Left-Centre coalition running the fourth (Finland).

The experience could be short-lived, as Sweden is scheduled for a general election next September and the current opinion polls encourage the Social Democrats' faith that they will return from a six-year spell in the cold.

This year the fourth Swedish non-Socialist Government since 1976, a minority coalition of the Centre and Liberal parties, finally tried to shift the direction of the economy by reaching agreement with the Social Democrats on changes in the tax system.

It will introduce a 50 per cent top tax rate on incomes up *to SKr 102,000 (£9,760, \$18,545)* a year but at the same time it will curb the deduction for interest charges on housing loans which large earners can *currently make.*

The agreement prompted the Conservatives to quit the three-party coalition Government on the grounds that the tax cuts were insufficient and that the changes to interest deductions on housing loans reneged on the non-Socialists' election promise to home owners. (the Centre and Liberal parties say the changes will not be effective until after the next general election in September).

Apart from the party political implications the interesting point, however, is that the changes represent not only reductions in personal taxation (to be financed by higher corporate payroll or production factor tax) but also the first feeble attempt to divert savings from housing.

This is a point of potential importance for the Swedish—and by extension the other Nordic financial markets—because a prime characteristic of those markets over the past three decades is that they have emphasised housing savings at the expense of financial savings.

Consensus

The tax systems have tended to penalise savings in industry and to encourage borrowing for housing and consumption. There is now a consensus across the political spectrum that capital has to be diverted towards industrial renewal (although views on how this is to be done differ markedly) but with private economies geared to the existing tax systems it has proved to be extremely difficult politically to change the direction of savings.

The Danish capital market is saturated with mortgage bonds (supplemented nowadays by Government bonds issued to finance the budget deficit). Two years ago the Government considered a plan to reduce the tax deductions allowed on the interest paid on housing loans but it did not manage to get a Bill into the Folketing (Parliament).

Finland, which has not donned the full garb of the welfare state, is again the exception. Lending for housing there is short-term and calls for a higher initial payment by the house buyer which in turn promotes bank savings. And in Finland the income from bank deposits is not taxed.

The benefits accorded to savings in housing have been part of the post-war social policies of the Scandinavian Social Democrat governments and have provided their citizens with a very high standard of housing. In Sweden and Norway the emphasis has added to the rigidities of the financial markets.

The Swedish banks are compelled to invest a large part of the annual increase of their deposits in housing bonds (and recently an increasing share in Government bonds). In Norway the Housing Bank is one of several state banks which has restricted the scope of the commercial *and savings banks.*

This combination of a tax system which enhances borrowing for housing at subsidised rates with Socialist direction of *credit has fashioned an apparatus* that non-Socialist governments find difficult to adapt to the needs of a harsher world economic climate.

A solution that would appeal to the private banks would be to reduce controls and to free the financial markets but, as shown by the storm aroused when the Swedish Government decided to limit tax deductions on housing loans, considerable political courage is required.

Mr Leif Loddesol, the new managing director of Den Norske Creditbank in Oslo, recently charted the declining role of the commercial and savings banks on the credit markets of all five Nordic countries (including Iceland). He attributed their loss of market shares partly to official policies but also asked whether the banks themselves had not been responsible by abandoning basic *financial functions to state* and other credit institutions.

The Swedish banks in particular have been criticised for not taking risks in their corporate *lending and for sheltering* behind the Government, which has picked up the losses suffered by parts of Swedish industry. The banks' credit losses over the past four years have averaged only slightly more than one-thousandth of their total lending.

Mr Curt Olsson, managing director of Skandinaviska Enskilda Banken, answered the charge by referring to the extremely strict regulations on collateral that the Swedish banks have to apply but he also recognised that the credit rationing on the Swedish domestic market did not induce banks to risk on some loans funds which could easily find safer placements at the same price.

He suggested too that their growing internationalisation required Swedish banks to operate like foreign banks, less concerned with formal security than with assessment of given ratios. The increasing integration of the Nordic financial markets with other world markets is indeed compelling *their central banks and Finance* Ministries to look for more flexible controls.

Both Sweden and Norway have given injections to their stock markets this year by reducing taxes on investments in shares, while the increased foreign interest in Scandinavian stocks appears to be shaking the barriers which stand in the way of wider foreign ownership of shares in Scandinavian companies.

Mixed prospects on stock markets

TAX RELIEF, foreign capital and the introduction of new sharesaving schemes have all contributed to price and turnover increases on the Nordic stock exchanges this year. But the weight of these stimuli and price increases have varied considerably among the four markets.

Thus, while the Stockholm general index at the beginning of November had advanced by 55 per cent from January 1, the comparable increases on the Oslo and Helsinki exchanges were less than 10 per cent. In Copenhagen, the general shares index had moved up by about 23 per cent.

Stockholm is not only the most bullish exchange at present, it is by far the biggest. The market capitalisation of its listed companies in November was roughly $17bn. Comparable figures were $5.8bn for Copenhagen, $3.2bn for Oslo and $1.6bn for Helsinki.

As these figures show, the Nordic shares markets are very small compared with those of New York and London, from where the recent interest for Scandinavian stocks has mostly stemmed. The impact of what in American or British terms are tiny purchases can, therefore, be considered.

The domestic impetus to the stock markets has come from a change in political attitudes towards investment in shares. This change can be coupled with the growing recognition even among the socialist parties that, to achieve industrial recovery, more risk capital be channelled to enterprises.

In all four countries the tax penalties on investments in shares have been eased to varying degrees recently but it is still too early to say whether these new approaches will be followed through and can bring about a sustained revival of the stock markets.

Most progress has been made by the non-socialist coalitions which have been governing Sweden since 1976 but the likelihood that the Social Democrats will return to power next year leaves a question mark hanging over the Stockholm Exchange.

In Norway the new conservative government has started by improving the tax position of investors and has promised to do more later. In Denmark some tax relief was introduced in July but wider measures to stimulate public interest in shares, which have been under discussion for some time, are still waiting for government action.

Changes are also needed and have been taking place on the reverse side of the coin. After operating for decades in a climate dominated by Social Democrat politics many Nordic companies tended to neglect their shareholders.

The harsher business climate of the 1970s has prompted boards and managements to pay more attention to dividend policies, to share prices and to the need for disclosing more information. This change has also been promoted by the bigger companies' search for foreign capital and foreign exchange listings, which in turn has helped turn the eyes of foreign investors to Scandinavian stocks.

Coincide

Foreign funds started to move into the Scandinavian exchanges in the second half of 1980. It was no accident that this coincided with a big promotion campaign by Novo, the Danish pharmaceutical company, which was looking for foreign capital to finance its expansion.

Foreign interest initially concentrated on the Scandinavian pharmaceutical concerns, especially those with promising developments in biotechnology, but stockholders in London and New York soon latched onto the cheapness of many Scandinavian "blue chip" stocks and on to the wide gap between their market capitalisation and real asset values.

Foreign investment has been limited by a lack of material and by regulations, both at national and company level, designed to restrict foreign ownership. The result has been the development of twin markets, one domestic, the other operating among foreign shareholders at premium prices.

In Stockholm in particular, suggestions have surfaced for the revision of the system which allows companies to issue B share with one-thousandth of the voting power of ordinary A shares. No fewer than six of the biggest Swedish companies have this share structure.

Nevertheless, the most exciting development on the Stockholm exchange has been the breakthrough for share-saving schemes. Since 1978 savers have been able to place funds monthly in shares for a minimum of five years in exchange for considerable tax reductions.

Most such savings have gone into funds operated by the banks. These were taking in about SKr 17m ($3.1m) a month at the end of last year. A change in the law this year has both boosted the flow of savings into the bank funds and by November enabled 47 listed companies to start schemes for their own employees.

In August well over 300,000 savings accounts were operating. They took in SKr 123m during the month, corresponding to an annual rate of SKr 1.5bn available for investment in shares. By the end of August new share issues totalling SKr 1.25bn had been placed on the Stockholm exchange compared with a mere SKr 84m in 1980.

Norwegian stockbrokers hope the new conservative minority government will be able to bring about a similar transformation on the Olso stock exchange. A share-saving scheme of the Swedish type could generate between NKr 500m and NKr 1bn ($88m-$175m) a year for investment, they calculate. The Government is taking time to consider the scheme but has already cut capital gains tax on share sales from 50 to 30 per cent.

Limit

The bullish elements in Oslo, in addition to the expectations placed on the new Government, have been the inflow of foreign money, the opening up of the market in July for the introduction of unit trusts and anticipation of the lifting of the limit on dividend payments next year.

Foreigners are estimated to have placed about NKr 500m in Norwegian stocks over the past 18 months. The Bank of Norway licensed purchases amounting to NKr 240m during the first half of this year. This figure compares with a total turnover among listed companies on the Olso exchange of NKr 725m during the period, which more than doubled the first half turnover in 1980.

Foreign buying has now tapered off as the stock available for foreign ownership in many companies has been taken up. Norwegian concerns have a 20 per cent limit but can seek dispensation to offer more abroad.

On the Copenhagen bourse equities continue to be crushed by the weight of the bond market. Bonds to a value of more than DKr 450bn ($62bn) are in circulation compared with a market capitalisation of about DKr 42bn for listed shares.

The average effective yield on bonds touched 22 per cent earlier this year. It has since moved down towards 19 per cent but is likely to remain high as long as the Government runs a big budget deficit.

Against this type of placement shares are not in the race. A reduction to three years for the period shares have to be held before they become free of capital gains tax has boosted the shares market slightly and prompted a few companies to make new issues after July 1, when the change became effective.

The Helsinki stock exchange set a new mark in the beginning of November when turnover for the year passed FM 1bn ($230m) well ahead of last year's record FM 700m. But the increase stemmed almost entirely from bond sales.

The shares index has climbed some 40 per cent over the past three and a half years but this represents no more than a recovery to the 1975 level. Finnish stocks have not so far attracted foreign interest but Bensow, one of the 11 authorised stockbrokers, is planning a mutual fund aimed at foreigners.

William Dullforce

International banking lifts profits

THE MOST important development in the Nordic Banking scene in the past decade may well have been the expansion of the foreign operations of the larger (and some smaller) banks. Foreign business certainly has been generating an increasingly large share of bank profits.

The bankers have been enjoying this extension of their territory. This is a purely subjective comment but anybody who has visited the foreign departments of the Nordic banks can feel how the bankers relish the greater freedom of the wide open spaces of international banking.

They also want more of it but with more Danish, Finnish, Norwegian and Swedish banks starting up abroad, the competition is becoming sharper. There must be a limit, for instance, to the amount or Nordic-based business that can be generated in New York. The advantage, however, obviously rests with those banks which have consolidated their outposts.

The starter's pistol for the explosion in foreign business was fired by the Opec countries in 1973. The cumulative effect of their oil price increases forced Nordic enterprises and governments to raise more capital abroad.

Sweden's Riksbank (Central Bank) started to encourage companies to borrow abroad from 1974, although it was not until 1977 that the rules were changed to allow the Swedish banks to take up foreign loans in their own right for relending to Swedish companies.

In Denmark, Opec's price increase aggravated the country's persistent problem with its current account deficit and the National Bank (central bank) until quite recently pursued a deliberate policy of meeting the deficit through private capital imports.

Credit ceilings and high interest rates induced private companies to go abroad for loans instead of satisfying their needs on the domestic market. The Danish banks saw no reason to leave this business to foreign banks and one banker estimates that they now manage at least three-quarters of Danish foreign borrowing.

Moreover, the three biggest Danish banks, Copenhagen Handelsbank, Den Danske Bank and Privatbanken, as members of the consortium (together with the brokerage company, R. Henriques) formed 30 years ago to advise the kingdom on its foreign borrowing, has benefited directly from the increase in state borrowing from the mid-1970s.

Now a rival consortium embracing Handelsbanken, Den Danske Provinsbank, Faellesbanken and SDS, has been formed to help raise project finance for Denmark's new gas network and other energy projects.

One of the most prominent features of the expansion in the Nordic banks' international business has been the consortium banks. The Nordic Bank Group (an equal partnership of Copenhagen Handelsbank, Kansallis-Osake-Pankki, Den Norske Creditbank and Svenska Handelsbanken) and the Scandinavian Bank (with participating banks from the five Nordic countries including Skandinaviska Enskilda Banken, Union Bank of Finland, Bergen Bank and Den Danske Bank) rank among the biggest five consortium banks.

Their growth has been remarkable. For instance, the Nordic Bank Group, with assets approaching £2bn is bigger than all but two of the Danish banks and has achieved its size within a decade.

More consortia are being formed, although an argument has developed over the suitability of the form, especially when a consortium is dominated by one or two banks with major shareholdings.

After the first consortium banks the next thrust from the north was into Luxembourg where by the middle of this year no fewer than 14 Nordic banks had established subsidiaries. Handelsbanken then showed the Danish banks the way into Cayman Island operations, a direction which is still frowned upon by Sweden's banking authorities.

Source

More recently, the Nordic banks have been setting up offices in Singapore and Hong Kong, either on their own or in joint ventures. This visible presence abroad, even that of the consortium banks, however, probably veils the main source of the Nordic banks' earnings on their foreign business. Mr Paavo Laitinen, deputy managing director and head of the international division at Union Bank of Finland, says the consortium banking and subsidiaries are small compared with his bank's "bread and butter" operations in trade payments and credits with its network of correspondence banks.

Several of the larger Nordic banks now run large currency trading departments. Most are shy about reporting their gains or losses from these operations but Christiania Bank last year showed a net profit of NKr 78.6m ($13.4m) on foreign exchange out of a total operating income of NKr 287m.

Den norske Creditbank's deputy managing director, Mr Finn Borgersen, claims that his bank, of relatively modest size in world rankings, nevertheless has the 13th largest foreign exchange operation with a daily turnover of $3bn.

At present, Creditbank has rather less than one-third of its total assets in its foreign operations but aims to raise that to about half over the next five to seven years. As becomes a Norwegian bank, it concentrates very much on shipping and oil business.

The Norwegian bank inspectorate reports that the assets held abroad by Norwegian banks have grown from NKr 1.5bn in 1971, when they entailed mostly shareholdings in consortium banks, to NKr 19.2bn last year.

The eyes of Norwegian bankers light up when the conversation turns to the capital exports that their country is expected eventually to provide out of its income from offshore oil and gas. They are gearing up to handle this money, although, if one listens to government officials, they will have to wait until the 1990s at least before Norway becomes a real lender on international markets.

Some indications have emerged about the contribution of their foreign business to the larger Nordic banks' earnings. In an article in the Swedish Banking Association's periodical, it was calculated that the three largest private commercial banks gained between 23 and 39 per cent of their operating income from their foreign operations last year, with Skandinaviska Enskilda Banken heading the list.

This tallies with the estimate of between 25 and 30 per cent by Mr Kjell Nielsen, senior general manager of Christiania Bank, offers as the contribution of foreign business to his bank's profit.

The loss of about SwFr 30m recently reported by Banque Scandinave in Geneva in its trustee department, which wiped out what would have been a good 1981 profit, was a reminder of the risks, but in the international field the bigger Nordic banks at present have the bit firmly between their teeth.

William Dullforce

NORDIC BANKING III

Engineering works at Pori, western Finland. Finnish engineering companies are becoming heavy foreign investors

NET DIRECT INVESTMENTS TO AND FROM THE NORDIC COUNTRIES

	Denmark (DKr m)		Finland (FM m)		Norway (NKr m)		Sweden (SKr m)	
	In	Out	In	Out	In	Out	In	Out
1971	536	259	103	187	192	107	611	1,135
1972	970	468	131	273	192	82	478	1,463
1973	571	346	60	88	296	473	615	1,475
1974	736	369	156	82	116	630	674	2,101
1975	611	582	251	96	165	735	531	1,979
1976	632	399	223	118	147	242	475	2,779
1977	895	758	188	293	326	428	653	3,522
1978	593	508	141	257	210	310	744	2,317
1979	1,180	879	106	487	376	1,286	701	3,082
1980	†599	1,108	104	481	302	679	1,289	2,740

Notes: The Danish and Swedish figures show recorded payments; Norwegian and Finnish figures are for licences granted. † In 1980 the Danish National Bank decided to exclude from its estimates of foreign investments in Denmark the loans raised by foreign partners in the Danish underground consortium (DUC) to finance their share of offshore oil and gas development.

A need to expand abroad to stay competitive

Export drive increasing trend to outward investment

THE NORDIC COUNTRIES invest more abroad than they receive in the form of net direct investment from foreign countries and in recent years the gap has widened. The explanation for this trend would appear to be found in the efforts of *Nordic companies to promote* exports and to protect or win shares of foreign markets.

On the other hand, although all the Nordic countries officially welcome foreign capital and generally observe OECD rules on investment, none can be said to campaign actively for foreign investment in the sense that, for instance, Ireland does. Official trade representatives abroad are export-orientated.

Last year net foreign direct investment in Denmark, Finland, Norway and Sweden amounted to just under $400m. The reverse flow was about $880m. In each case the Swedish figures account for well over half.

Partners

It must be pointed out that the figures do not include investments by foreign companis in the development of Norway's offshore oil and gas resources nor the investment in Danish offshore development by foreign partners in the Danish Underground Consortium (DUC) during 1980.

So far the bulk of the investment on the Norwegian continental shelf has been foreign. The Ministry of Oil and Energy calculates that from the beginning of the 1970s to the end of 1980 more than NKr 54bn ($9.5bn) had been spent on permanent installations and pipelines and a further NKr 8.7bn on exploration.

Offshore investments by Statoil, the Norwegian state oil company, up to the end of 1980 had been less than NKr 10bn. *However, its proportion of* total spending is increasing fast in line with the 50-80 per cent participation rights it holds in licences granted after 1971 and two other Norwegian companies, Norsk Hydro and Saga, are taking a growing share of development costs.

If the offshore operations are excluded, net direct investment to and from the Nordic countries shows a faster growth in the export of capital over the past decade. In 1971, for instance, the foreign inflow amounted to about 80 per cent of Nordic investment abroad while in 1980 it was less than half.

Swedish companies' net foreign investments have consistently exceeded direct investment in Sweden, as have those of Norwegian companies compared with investment in Norway from 1973 onwards.

Finland imported more capital than it exported during the 1974-76 period but this probably reflected the tightness of the domestic money market at the time, which forced foreign sales companies to import funds to meet operating costs.

The flows in both directions are smallest in Finland but the leap in direct Finnish investment abroad in the past two years is interesting. It suggests that the Finnish companies are feeling the need to conform to the Swedish pattern and to expand abroad, in order to remain competitive.

The Finnish pulp and paper concerns have been the heaviest investors abroad but the turn now appears to be coming to the engineering companies. By the end of 1980 more than 1,000 Finnish concerns were engaged in foreign operations in which they held more than 20 per cent of the share capital and of these 125 were manufacturing operations.

Sweden, however, remains the dominating importer of capital and foreign investor in the area. Riksbank (Central Bank) licensing during the first three quarters of 1981 indicates a further jump in investment abroad while the reverse flow has diminished.

Popular

One or two major investments can of course introduce large annual fluctuations and the 1981 figures have been boosted by, for instance, Volvo's acquisition of the white Motor truck business in the U.S. North America has become increasingly popular as a market for investment by the Swedish multinationals.

The Riksbank eased its control of Swedish companies' investments abroad slightly this year to conform to OECD practice. A company no longer has to demonstrate that its investment benefits the balance of payments.

On the other hand the Riksbank is maintaining the stipulations that the investment be financed through foreign loans at least for the first five years of the operation and should not be a mere portfolio placing.

The Federation of Swedish Industries has rung the alarm bells about changes the Government is understood to be contemplating to the rules governing foreign investment in Sweden.

A majority of a divided commission which reported on foreign investment in 1978 recommended that control of establishment procedures for foreign companies be tightened. The Government has been under trade union pressure to act on this recommendation.

Denmark has so far been the exception within the Nordic bloc in that, according to the National Bank statistics, net direct investment by foreigners in the country has regularly exceeded Danish concerns' investments abroad.

However in Denmark too the outgoing flow has been accelerating faster. During the first eight months of 1981 licences for Danish companies to invest some DKr 800m abroad were issued while foreign applications for investment in Denmark (excluding offshore spending) declined *further*.

The figures can be interpreted as illustrating the difficult business conditions today in Denmark and Danish companies' desire to seek compensation abroad for a stagnating home market. A substantial part of the increase in Danish foreign investment is attributable to the expansion of Danish banks abroad.

William Dullforce

Slow progress to allow in the foreign banks

CITIBANK IS ON the verge of obtaining a licence to become the first foreign bank to establish a subsidiary in Finland. It has received approval in principle from the Government and the Bank of Finland but the rules which will govern its activities have still to be defined in detail.

With a share capital of FM 2bn ($4.6m), giving it a lending capacity of FM 50m, the bank will be a small operation. But its application stirred the domestic banks into a protracted and rigged opposition which encapsulates the whole issue of the opening up of the Nordic area to foreign banks.

Four foreign banks have started subsidiaries in Copenhagen since 1975, when Denmark opened the gate after joining the Common Market (American Express was already running a banking operation). That scarcely adds up to an invasion.

Neither Sweden nor Norway so far allows foreign banks to operate more than representative offices. At the latest count 15 foreign banks were represented in Stockholm and nine in Oslo. In both countries, however, the machinery for opening up is slowly getting into motion.

Reciprocity is the foreign banks' strongest argument. The Nordic countries cannot reasonably keep them out, when Nordic banks are busy establishing profitable banking operations in the foreigners' home bases.

Both the Swedish and Norwegian bank inspectorates report considerable irritation among their colleagues, especially the Swiss, about the obstacles to foreign banks raised in their banking laws and regulations.

Nordic banking authorities and governments recognise some advantages in allowing the foreigners *in*. When recommending Citibank's application, for instance, the Bank of Finland argued that competition could have a favourable effect on the efficiency of domestic banking and enhance Finland's image as a borrower on the international markets.

The larger Nordic banks recognise the dangers to their own swiftly-expanding foreign operations from a lack of reciprocity. Will the Bank of England, for instance, grant Nordic banks discounting rights if their home markets remain closed to British ones?

The domestic banks' principal fear has been that powerful foreign banks would skim the cream off their corporate business without being subjected to the tight monetary controls and regulations on credit levels, loans placements and interest rates to which they themselves have to conform.

It was crucial that competition should take place on equal terms, Mr Gustav Mattson, general manager of the Bank of Helsinki, said recently in a speech outlining strong reservations about Citibank's entry to Finnish banking.

The one Nordic country where the issues have been put to the test is Denmark. There the impact of the foreign banks appear to have been stimulating rather than disruptive.

Shaken up

When Denmark was about to join the EEC in 1973 Danish bankers were worried about the threat from the foreign banks. Now Mr Hans Erik Johansen, managing director of Copenhagen Handelsbank, describes the outcome:

"We were shaken up but we kept our market shares by giving our customers the same services. We prefer having foreign banks inside the Danish market as frank competitors than outside taking marginal business which we do not know about. Now we co-operate well with them and they need us."

Three American banks (Bank of America, Chase Manhattan and Citibank) and one British bank (Standard Chartered) have set up in Copenhagen. They operate fully as Danish banks, the one restriction being an initial limit of DKr 40m ($5.6m) on share capital, allowing them to expand their capital bases by only DKr 1m a year or from profits.

The American banks' main business is in foreign exchange and Danish krone loans. Chase Manhattan has been particularly successful in its exchange dealings, on which it reported profits on DKr 16.5m last year, only slightly lower than its net earnings from interest and commissions on lending.

The second most profitable foreign bank last year, Standard Chartered, had a much smaller income from foreign exchange but makes a good profit from serving Danish trade, a speciality which derives from its history.

Chase Manhattan made DKr 8.3m before loss provisions and tax last year while Standard Chartered posted DKr 7.25m by the same measure. Both may be said to have copied the Danes' own philosophy of finding the right niches on foreign markets.

Other foreign banks considered setting up in Copenhagen at the end of the 1970s but refrained. The general opinion was that the market was covered, the Danish banks had organised their response to the foreign challenge and the returns obtainable were not really good enough.

There could be more intangible benefits from having a subsidiary in Copenhagen. For instance, it may pay to have expertise available in your own Danish bank when looking for business in financing the big Danish energy projects. But such advantages are difficult to measure.

Sweden's much larger industry and many multinational companies provide an attractive target for foreign banks while increased foreign borrowing by the State Debt Office has offered a further reason for banks to set up representative offices in Stockholm.

For permission to establish subsidiaries they will still have to wait some time. The Government has instructed the committee preparing amendments to the banking law to recommend conditions under which foreign banks could open in Sweden.

The committee is due to report by the end of next year *after which the Government will* have to draw up a Bill for the Riksdag (parliament). The present non-socialist Government favours the introduction of foreign banks but the attitude of the Social Democrats, who could return to power after the general election next September, is less certain.

In Norway foreign banks, particularly the American ones, recently have been renewing pressure on the authorities for permission to start subsidiaries. There is no formal hindrance in Norwegian banking law but establishment of a bank would have to be authorised by the Cabinet and would require a licence from the foreign exchange commission.

Rules

The staff of the Bank of Norway is drawing up a report for its board on the rules which might be applied to foreign banks. If the board accepts the report, it will be passed on to the Finance Ministry for action.

To return, finally, to Finland, it must be said that Mr Mattson's and other Finnish bankers' fears about Citibank's introduction are not entirely without grounds.

Mr Mattson pointed out that many of the rules to which the Finnish banks operate are not a matter of law but stem from agreements between the Bank of Finland and the banks or among the banks themselves. They cover lending rate restrictions, limits on foreign exchange exposure and agreement among the banks on rates for fees and commissions.

The truth is that the Finnish banks currently operate an oligarchy which would be regarded as a cartel in the U.S. Citibank undoubtedly could shake the system up a bit.

However, Mr William Emery, Citibank's man on the spot, underlining the smallness of its intended operation, argues that the main danger could be overreaction from the Finnish banks. The situation is intriguing, to say the least.

William Dullforce

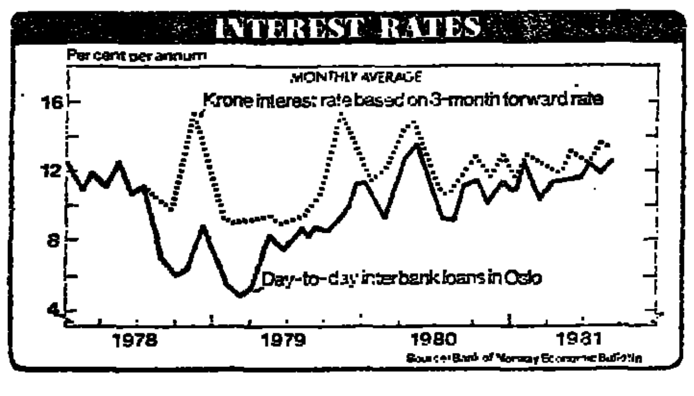
NORDIC BANKING IV

Norway: State hold to ease

NORWEGIAN BANKERS — like the rest of the business community — have welcomed the advent of a non-socialist government in their country, after almost a decade of Labour rule. The new minority Conservative Government of Mr Kare Willoch, which took office on October 14, has already made decisions — in the revised economic programme for 1982 —which will benefit the banks.

Hi'. on its list of priorities, more ..., is a change in the contrc .rsial bank democracy law which Labour enacted. An amendment to the law, likely to be tabled shortly, will return control of the banks to their shareholders. It will do th's by changing the composition of the banks' representative councils, which elect bank boards.

At present, a majority of the seats on these councils are held by public appointees, who thus have effective control. The new Government proposes to retain some public appointees as council members—their "outsiders' viewpoint" has proved valuable in council discussions. In future, however, they will have only a minority of council seats—the majority will be occupied by shareholders' representatives.



Cheap loans

The steady expansion of the State banks, under Labour rule, has for years been a sore point with the private banking sector. There are eight of them, providing cheap loans for a variety of special purposes, including housing, agriculture, local government, industry and fisheries.

In its revised version of the 1982 National Budget, Mr Willoch's Government said it would cut the number of 1982 housing starts financed by the State banks, while retaining—with some amendments—the so-called PSV system, which allows commercial and savings banks to finance a certain number of housing starts on special reasonable terms. The Labour Government introduced this system as an experiment in 1980, to give the private sector a larger share of housing finance, but had intended to end it next year.

Labour's 1982 budget—tabled just before the change of government — provided for 25,000 housing starts financed by the State banks, and 11,000 financed by the savings and commercial banks, on ordinary market terms. The revised Conservative version trims the State banks' quota to 21,000, allows a quota of 7,500 PSV housing starts for the private banks (plus 500 for the Post Office savings bank) and reduces to 7,000 the number to be financed by the private sector at the market rate.

Other Conservative measures which the banks applauded were some modest tax concessions to savers (an increase of about 60 per cent in the amount which may be saved, each year, under a tax relief scheme) and to stock exchange investors. The tax on profits from share sales (levied if shares are held for less than two years) will be cut from 50 to per cent.

These moves—plus a promise to lift the ceiling on dividends, from the new year—are all the government has been able to do for savers and investors so far.

A consequence of yet another expansive budget is that Norway's extremely tough credit restrictions will have to continue—with all the unfortunate effects this involves for the banks. Indeed, only a *month after* the Conservatives came to power the government had to approve an increase—from 8 to 10 per cent—in the primary reserve requirements for savings and commercial *banks in the south of Norway.*

The rise—which provoked strong protests from the banks —was recommended by the Bank of Norway because lending by the banks had exceeded guidelines by NKr 1.5bn in the first nine months of 1981.

The commercial banks, in particular, were upset by the decision. Their association, Den norske Bankforening, said the Government could have chosen other ways of curbing credit which would not have hit bank profits so hard. It recalled that *even the old* Labour government had indicated it favoured using "market - orientated methods," and less direct regulation, to check bank lending.

Even before the rise in the reserve requirements, bank profits this year had been suffering from the prolonged combination of tight credit restrictions (which force banks to hold a large share of their *assets in low-interest* government paper) and an "understanding" with the authorities which limits the amount that the banks can charge for advances.

In May, an increase was permitted in interest rates on short-term bank loans, but rates on long- and medium-term loans have been unchanged since autumn 1980. The eight-month *reports of all the leading banks* showed profits, as a percentage of total assets, down on the same period last year. Now, bankers are hoping that the authorities will allow an *increase in interest rate* charges from the new year.

On November 1 the Government announced that interest rates on PSV loans would be increased from 10 to 12 per cent, effective from January 1. It seemed reasonable to assume that rates for other types of bank loans would also be allowed to rise.

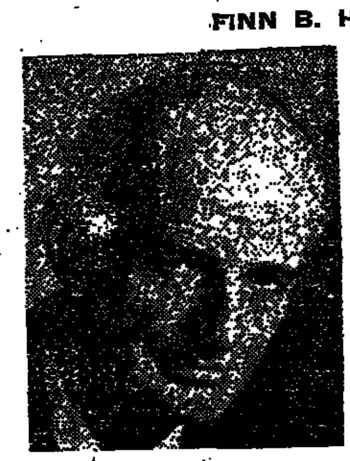
The past decade or so has seen the leading Norwegian commercial banks establishing a number of footholds in important foreign markets. Sometimes alone, sometimes in partnership with other Nordic banks, they have established subsidiaries or opened their own representative offices. Switzerland and London were the sites for the first such establishments, followed in the early 1970s by Paris and Luxembourg.

With the arrival in Norway *of the offshore oil* industry the trend towards internationalisation of business received an additional stimulus and the U.S. became a new target area. Two of Norway's big three banks are part owners of consortium banks in New York (Den Norske Creditbank in Nordic American Banking Corp; Christiana Bank in American Scandinavian Banking Corp) and all three of them have representative offices in Houston, North America's oil capital.

Foreign banks are at present barred from conducting ordinary *banking business* in Norway, but a number of them have opened representative offices in Oslo. There are now 11 such offices, representing banks from the U.S., Britain, Canada, France, West Germany and Sweden.

Fay Gjester

FINN B. HENRIKSEN



Finn B. Henriksen: walking a tightrope

Spending too much

MR FINN B. HENRIKSEN, chairman of the Norwegian Bankers' Association, hopes to see a gradual transition to a more "market oriented" economy in Norway, now that a non-socialist government has taken the helm.

The change cannot come overnight, he emphasises. Norwegians are so used to a regulated, subsidised economy that the new minority administration will have to go carefully. "It will be walking a tightrope."

Norway, moreover, has special problems because of its large land area and relatively small population. There are pressing defence and foreign policy reasons for maintaining and encouraging settlement in remote parts of the country. This necessitates some degree of subsidy to certain regions and industries.

"But we must look again at how much we need to spend to achieve our aims. The State cannot go on handing out large sums to almost every company that gets into difficulties. The bill is simply rising beyond our ability to pay."

Norwegian workers — and their employers — will have to recognise that some restructuring of industry is imperative.

The change of direction will have consequences for the banks — not all of them comfortable. Mr Henriksen points out. Cuts in subsidies to lame-duck industries will mean more bankruptcies, and banks will face a rise in their bad debts.

To cope with the coming harsher economic climate, Norwegian banks must be given a chance to improve their earnings and build up reserves, he says. Over the past few years, bank profits have been hit by government credit restrictions, necessary because of ever-expansive fiscal policies.

With the hoped-for return to more balanced budgets, the need for credit curbs will diminish. In the meantime, however, the authorities should be more careful in their choice of methods to limit bank lending.

F. G.

Denmark: cashless society nearer

IT WAS ACCEPTED wisdom in the 1960s that in 10 or 15 years' time there would be only about a dozen banks and as many savings banks left in Denmark. Today there are 81 banks including four foreign banks, and about 160 savings banks and over the past 10 years there have been almost no mergers.

There seems to be three good reasons for the stable structure of the banking system. The first is that Denmark is a country of small and medium-sized companies and family-*owned farms, and small* businesses do not need big banks.

The second reason is that the credit policy arrangements prevailing throughout the 1970s, including a ceiling on bank advances which was administered as a ceiling for each bank and savings bank individually, restrained competition. This system was abandoned in the autumn of 1980 for a generalised system of credit restraint which allows for greater competition and in the view of many bankers will lead eventually to more merger activity.

The third reason is that the banks and savings banks have shown a unique ability to cooperate with each other in the technical field, so that small banks and their customers have *been able to obtain much the* same benefits from the advance into the computer age as the big banks. This co-operation seems to have worked satisfactorily for banks and customers alike, but in many other countries it undoubtedly would be deemed illegal under monopolies and cartel legislation.

The co-operation in the technical field among the banks began in the early 1960s when a wage transfer system was developed. The key point about the system was that it permitted each individual wage-earner to decide to which bank and branch his wage would be transfered and ensured that the money was in the right place on the right day.

Today almost all wages and salaries are paid by direct transfer. The system has meant, of course, a rapid rise in the number of bank accounts and it was essential in the early days for the banks to popularise cheques as a means of payment, not least to prevent queues at the banks every Friday of wage earners taking out their wage packets in cash.

This led to a second agreement between all banks and *savings banks by which anyone* can use a cheque to draw money from any bank for up to Kr 500 (£36) by showing a special bank card.

Surge

There was an enormous surge in the number of transactions and clearings in the following years. For the *commercial banks alone the* number of transactions has increased from 120m in 1966 to 364m in 1980 and the number of cheques cleared (excluding the bank's own internal cheque clearing) has increased from 145bn in 1966 to 1,176bn in 1980.

The external clearing is handled by a single computer centre owned jointly by the banks and savings banks, established at the end of the 1960s to cope with the rising flood of cheques.

In addition to this centre, there are eight other computer centres, three operated by the big three banks, Handelsbanken, Privatbanken and Danske Bank, and five regional centres operated by provincial banks. All banks are booked into one or other of these centres by online systems, and by 1982 all commercial banks will have online contact with their customers' accounts, with direct on-line bookkeeping and a series of on-line services, for example, automatic dispatch of monthly or quarterly bank statements to customers.

The rational next step is to try to reduce the flood of paper cheques by introducing a universal debit card, and again all banks and savings banks are working together to introduce a system which customers of any bank or savings bank will be able to use.

In the mid-1970s the banks began to consider the introduction of a credit card system, but this fell through because the supermarkets say that the commission charges would wipe out their entire profit margins. The idea now is to introduce an instand debit card system to be operated by retail shops.

Cash dispensers are another area where the banks and savings banks have co-operated. A joint study indicated that dispensers would be extremely expensive and unprofitable for the banks (and given the widespread acceptance of the use of cheques the dispensers are not so much needed in Denmark), and the banks and savings banks agreed not to introduce them. Last month a new agreement was made by which internal cash dispensers (ie sited inside a bank for use only by customers coming into the bank) will be allowed *from mid-1983.*

An economist might argue that cut-throat competition in the technical field, even if it had led to a decimation of the number of independent banks, would have benefited consumers through economies of scale, which may be right. As it is the banks have to compete on the quality and friendliness *of their service, which* also benefits consumers.

Hilary Barnes

HANS PAASCHBURG

Plans for losses

DENMARK'S difficult economic situation has not left the banks unscathed, says Mr Hans Paaschburg, chairman of the Danish Bankers' Association. "We have had to make substantial provisions against losses in industry and agriculture. The losses have risen from about DKr 1bn in 1979 to DKr 2bn last year and are expected to exceed DKr 3bn this year," he said.

"This is a lot of money, but it has not touched the solidity of the banks as we made reserve allocations in the good years—and we can now see that this was the only sensible thing to do."

Mr Paaschburg said that there were some signs that the losses on customers' accounts, which have been especially serious in agriculture, building and the auto industry, are slowing down again.

The legal minimum ratio of equity capital to deposits and guarantees in Denmark is 8 per cent, which is probably the most conservative ratio in the world. However, the ratio has been under pressure in recent years, Mr Paaschburg said, because the market for new share issues has been virtually dead, especially for the largest banks, and operating profits alone have not ... to maintain the ratio. It has been held by raising subordinated loan capital abroad, but the legal maximum ratio of 40 per cent for subordinated loan capital to equity capital is now being approached by some banks, he said.

Mr Paaschburg takes a cautious view of Denmark's economic prospects and the investment climate. High interest rates are part of the problem, "but the problem really is that sales prospects are viewed pessimistically," and if demand does pick up Denmark will be faced with a further dilemma arising from its enormous net foreign debt.

"The moment there is an upswing, Denmark will face even greater balance of payments pressures. The need for new investment in machinery and equipment, as well as in farm stock, will mean a deterioration in the current balance of payments. Can we afford this?

"An international upswing *could also reduce the liquidity* of financial markets and it may be difficult to get hold of money. We could end up in a situation where there is a demand for investment which we are *unable to facilitate* because of the balance of payments problem," Mr Paaschburg said.

H. B.

NORDIC BANKING V

Iceland: fighting inflation

IT SEEMS to be the fate of all recent governments in Iceland to fight the evils of a runaway inflation which has played havoc with the economic well-being of the sturdy Icelanders.

The present Left-of-Centre coalition government under the leadership of its Prime Minister, Dr Gunnar Thoroddsen, has spent most of its near two years in office trying to reduce the annual rate of inflation to about 40 per cent from last year's 58.9 per cent. Iceland's economy is mainly plagued by the difficulties of the Nordic model welfare societies.

The entire balance of the economy of this smallest member state of the North Atlantic community is distorted by an overgrown public sector, the quarterly review of the standard of living index which is by law automatically tied to wage increases, and the ever-rising level of economic expectations, which cannot be satisfied in this day and age without pushing the inflation rate even higher.

At the beginning of 1981 a new krona was introduced by cutting two zeros from the old Icelandic krona—with very positive results for the Icelandic public which was exhausted by having to figure out the family budget in hundreds of thousands and millions of old kronor.

Owing to the inflationary problems of the economy, the kronor is devalued periodically against all major Western currencies. It has been officially devalued three times since last December and the fourth devaluation is expected around the turn of the year.

The last devaluation, of 6.5 per cent, took place in early November, and was far short of the 15-20 per cent which leaders of industry and the fishing sector had demanded. The rate of the U.S. dollar has increased more than 103 per cent since the present Government came into office in the early part of 1980 but from the beginning of January the dollar has increased almost 31 per cent against the kronor.

The primary motive behind the devaluations has been to improve the competitive position of the export sector, which has been plagued by rapidly-rising internal costs.

Economic development this year have been characterised by fairly strong fisheries production, a favourable external balance, a rapid rise in bank deposits in the wake of sharply-improved real interest rates, and a slight slowing of the inflation rate.

Strong, expansionary forces have been at work but they have been countered by strict monetary measures. External developments have benefited the Icelandic economy and the increasing value of the U.S. dollar is the main reason for most of the 4.4 per cent improvement of the terms of trade in the first half of 1981 over last year's average. At the beginning of this year, GNP was expected to remain stagnant and the real national income to fall by ½ per cent owing to worse terms of trade from 1980.

According to Central Bank information, a recently-revised projection predicted a 1.2 per cent growth of real GNP and a 2 per cent increase in national income. The figures compare with 2.7 and 1.5 per cent respectively in 1980.

The goods and service account of the balance of payments has been fairly well balanced in recent years according to Central Bank economists. The trade balance has actually been in surplus in recent years and a sharp deterioration of the service balance is solely responsible for the goods and service account deficit in the last two years. The unusually large deficit in the service balance over a two-year period is due mainly to the difficulties of the airline industry, and rising interest payments of external debts.

Trade surplus

The Central Bank's projections show a trade surplus for this year as a whole amounting to IKr 520m and a service account deficit of IKr 620m and consequently a goods and service deficit of IKr 100m or the equivalent of half of the GNP. Owing to strong net inflow of capital, the overall balance of payments will show a sizable surplus reserve position. The debt service burden is expected to amount to 16-17 per cent of export income.

Broad money rose by 75 per cent in a 12-month period ending in September, including accrued interest on deposits. Lending by banks rose in the same period by 67 per cent. The deposit expansion was about the greatest ever in this country in a one-year period. There are really two reasons. First, deposits grew rapidly as a result of a rising real interest rates, and second, despite a favourable external balance, foreign borrowing has remained at a high level and contributed to high monetary expansion.

In the 12-month period ending in June, the stock of foreign debt had increased by 10 per cent in U.S. dollar terms. Domestic interest rates have been lowered slightly twice this year and the Government policy has been to fully guarantee deposits and loans for a minimum of three months. The average interest on one-year deposits has been about 45 per cent. Despite the rapid rise of real interest rates, credit demand has not declined and it appears that credit expansion will exceed the prices and incomes this year.

The high interest rates have caused serious problems for business and industry, besides problems caused by the extremely high inflation rate over the past 10 years. Private and public companies face a very bleak future if the Government continues its policy of high interest rates and strict monetary measures. But at the moment there is no sign which points to the fact that the Government is on its way out and another, more liberal in this respect, coming in.

Jon Magnusson

Finland: doubts about easy money

A NAGGING uncertainty has got Finnish bankers a little worried this wet and dark autumn. It has nothing to do with the "Presidential Stakes," as the Finns term the premature election called in January 1982 (instead of 1984) to choose a new president of the republic—although the Governor of the Bank of Finland (now acting President of the country), the acting governor and a member of the central bank's board of directors are front runners in the election campaign.

The Bank of Finland has always been a breeding ground for Finnish presidents and prime ministers. It is likely that it will be able to add a new name in gold letters to the Old Boys' Roll of Honour towards the end of January next year.

The real worry for the bankers, paradoxically, is that the money market is relatively easy now and is likely to remain so in 1982. The question on their lips is what will the Bank of Finland dream up this time to make sure that the situation does not get out of hand.

The two-year boom in the Finnish economy petered out a few months ago, but the economic forecasters are still fairly optimistic. Recession, not depression, is the tenor of their description of the current cyclical phase, and what is more they say that it will be comparatively short and moderate. They expect GDP to increase by 2 per cent this year, and by 2 per cent again in 1982.

But industry is taking a more cautious view and suggests that the downswing may be deeper and longer than the prophets believe. Total growth may be no more than 1 per cent in 1982, and the predicted recovery in 1983 may not materialise. Meanwhile, inflation has first priority on the action list. But, if the pessimists are to be believed, there is already the antagonistic need to stimulate the economy, to give a gentle boost even to domestic consumption, in the view of some bankers.

Neutral

The four-party, Left-Centre coalition government may not be in office after the new president has been installed on January 27. But it is now pushing through parliament its 1982 Budget Bill which can be described at best as neutral in its stimulatory effect. However, it contains a vague promise to reappraise the situation later in 1982 if the economic curves show signs of dipping too low.

With the boom over, the demand for credit for new investment is plummeting. The volume of private sector investment is expected to contract by 4.5 per cent in 1982, and new manufacturing investment by no less than 8 per cent. The growth rate for the former in the current year is put at 4.5 per cent and for the latter at 7 per cent.

Of course, there will still be managing directors trying to talk their bank managers into advancing them operating capital, to say nothing of the government jackal looking for funds that are relatively much cheaper than in most of the world's financing markets. Both the banks and the industrial sector were milked of some of the cash in the past two years by various cyclical deposit schemes which required them to freeze some of their earnings in special accounts with the Bank of Finland.

These reserves, to the tune of about FMk 1.7bn (£200m) are now being released, and the cash reserve deposit requirement on the deposit-taking banks has been reduced to 3 per cent; it was up at 4.6 per cent when at its highest in March 1981.

An additional factor affecting the money supply is the healthy state of the country's foreign exchange reserves and the surprisingly small current account deficit for this year (FMk 3bn) and actual surplus (FMk 700m) for next year that have been forecast.

However, a recent survey carried out for the savings banks indicates that the fiercely traditional Finnish saver is changing his habits. Nearly 20 per cent of the banks' clients now use credit or bank cards, against 6 to 7 per cent about 10 years ago.

Automation

The progress of automation in the banking system has been impressive. The big three commercial banks proper have even agreed on common use by their clients of their automatic teller systems. Both the bank giro and the postal giro (run by Postipankki) systems are now widely pankki) systems are now a widely used means of payment.

The commercial banks in the widest sense of the term—ie, all the deposit-taking banks—are now urging the introduction of freer rates of interest. This subject will become more topical as more foreign banks establish subsidiaries here. It will be an additional question for the central bank to answer in the near future. At present, deposit rates are fixed by voluntary agreement between the banks. The lending rate is pegged to the base rate of 9¼ per cent that the Bank of Finland charges for its credit accommodation to the banks.

But these are the formal rates. There is, as a commercial banker puts it, quite a large "grey market" within which lending rates fluctuate much more, and bankers would like to see the situation regularised.

Lance Keyworth

RISTO PIEPPONEN

A plea for freedom

THE BURNING topics in the Finnish banking world today are the establishment of foreign banks in the country and freer interest rates.

The first foreign subsidiary, Citibank, has already been granted its permit for establishment. Another three foreign banks have applied for permission. The increasing debate on interest rates is not unconnected with the operations of foreign banks in Finland.

Mr Risto Piepponen stepped into this interesting situation as the new managing director of The Finnish Bankers' Association early this year, bringing a legal and economic research background to bear on the task.

He says: "I believe we must find a new way of regulating the money market; some system which gives the banks more freedom of action. There's money available now for the short-term market, but it's not being placed because interest rates are not attractive enough.

"There should be some way of splitting the money market. Perhaps controls must continue in some sectors, but in others interest rates should be allowed to follow market forces. The aim should be something between total and controlled freedom."

The impending establishment of foreign banks lends emphasis to the need for change. "They start with the advantage of world-wide foreign business contacts, and they are not interested in some of the business that our deposit-taking banks must handle, such as housing loans.

"The legal provisions are known, but outside of these are what's known as the rules of the game, the unwritten rules which govern our own banks' relations with the Central Bank. One of these is the voluntary agreement on interest rates for deposits between the Finnish banks.

"This is not a matter of law, and no such agreement applies in the home countries of most of the banks that are thinking of establishing here.

"Interest rates in Finland are governed by political rather than fiscal considerations. They have become closely linked to incomes policy settlements, not least because of their effect on the cost of living via housing loans granted by the banks."

L. K.

NORDIC BANKING VI

Sweden: progress towards flexibility

ONE OF the most interesting features of Swedish banking this year has been the discussion between the Riksbank (central bank) and the banks on modifications to the present official controls. The talks have been inconclusive so far but Sweden could be on the way to a more flexible monetary system.

Mr Lars Wohlin, the Riksbank governor, has emphasised on several occasions that as long as the country's foreign account and state budget remain so strongly in deficit, the Riksbank must retain the capacity to control interest rates and credit placements. But, as a former Finance Under-secretary in Sweden's first non-socialist government for 44 years, he is no advocate of regulations for their own sake and he has been willing to consider newer ways of exercising Riksbank supervision.

The commercial banks on their side have intensified their campaign for greater freedom. Their motivation undoubtedly has been strengthened by the expansion of their foreign business but their main source of discontent has been the constriction imposed on them by the obligation to help finance the state budget deficit.

The deficit for 1981 will be between SKr 65bn and SKr 70bn (£6.2bn-6.7bn) or roughly 12 per cent of the Gross National Product. To contain the inflationary effect of government spending, the Riksbank imposes liquidity reserve requirements on the banks and other financial institutions, channelling money back into the state treasury.

Current liquidity requirements on the banks average 38 per cent and are as high as 44 per cent for the big commercial banks. The banks have to place the bulk of the increase in their deposits in state bonds and housing bonds which in turn means that they have been taking on to their books an increasing volume of fixed-interest (and largely unmarketable) assets at the same time as they pay changing and often relatively high interest on deposits, in particular on the special deposits from corporations.

The Riksbank through regulation of the average lending rate can and does see to it that the squeeze on bank margins does not become excessive, but it is now generally accepted that in principle the system is potentially harmful.

One predictable effect of the combination of an overall credit limit and the compulsory placements on banks and other financial institutions has been the growth of the so-called grey or underground money market. A recent analysis of the situation in 1979 found that lending through the grey market was some 20 per cent larger than the commercial banks' total lending.

The restrictions have forced the banks increasingly to refinance credits abroad and their foreign borrowing has grown particularly sharply in 1981. According to one estimate, some two-thirds of the banks' increase in lending (outside the compulsory placements) has been refinanced abroad this year.

One argument advanced by the banks against Sweden existing monetary controls is that the large and increasing stock of fixed-interest bonds they carry on their balance sheets is regarded with scepticism abroad and can in the long run affect their credit ratings.

Two changes have been mooted in the discussion between the Riksbank and the banks. They are the introduction of so-called bond funds managed by the banks themselves and the replacement of the present liquidity reserve requirements by a "marginal liquidity" system. The two suggestions are interlinked.

The marginal liquidity quota would apply only to the annual increase in deposits not, as do liquidity reserve requirements, to total deposits. The effect, it is hoped, would be to diminish both the contest for short money among the banks and the tendency for interest rates on deposits to be forced up.

Effect

Introduction of the bond funds would reinforce the effect of the switch to marginal liquidity quotas. The banks would sell to the public shares in funds holding state bonds and managed by themselves. If they succeeded in steering deposits to these funds they would be compensated by reductions in the liquidity quotas.

The basic idea is that the banks would be motivated to sell state bonds, thereby making it easier for the Government to cover its budget deficit outside the banking system. At the same time, the banks would benefit from a reduction in their compulsory placements.

By offering the banks an incentive for keeping interest rates lower on short-term deposits and for competing less fiercely for such deposits, the Riksbank also hopes that state bonds could become a more attractive investment for both the private savers and corporations.

The proposals have brought objections from the regional banks which have lower liquidity reserve requirements and would not reap such a big advantage from the new system as the larger banks. So far it is uncertain whether the changes will be introduced.

In October the commercial banks tabled a programme which they claimed would result in a more effective credit market and help to take Sweden out of its present economic difficulties. Predictably, the programme called for the winding up of controls on lending and foreign exchange transactions.

It also proposed that Swedish and foreign banks should be allowed to establish subsidiaries freely across frontiers and that interest rates on state and housing bonds should be set free, so that they could be sold directly to the public.

The commercial banks also called for a reduction in subsidised state credit to business. They pointed out that the state's share of industrial borrowing had grown from 2.5 per cent in the mid-1960s to 12 per cent in 1980 while the commercial banks' contribution to industrial borrowing had declined from 40 to 25 per cent.

The Swedish banking scene this year has been marked by the Riksbank's efforts to keep interest rates in line with international rates. In January after a rush of funds out of the country, it lifted its discount rate by 2 per cent to a record 12 per cent. In October, after the devaluation of the krona in September, it cut the discount by 1 per cent.

This was regarded as insufficient by most bankers and a further cut has been anticipated. However, in recent weeks the currency reserves have been falling. Although the decline has not been alarming it has probably been enough to prevent another reduction in the discount rate.

During the year the Riksbank has attenuated the effect on bank earnings of the higher interest level and its credit restrictions by lowering penalty rates on its lending to the banks and by bringing down rates on Treasury Bills and other short-term paper.

The banks' eight-month results were thus better than had been expected at the beginning of the year—a 44 per cent average increase in earnings for the commercial banks. And 1981 will see a recovery from the profit setback they suffered last year.

William Dullforce

PROFILE: LARS NYREN

A radical prescription

Lars Nyrén: too early for practical results

DO AWAY with interest regulations, create equal terms for lending by banks and other lenders and change the tax system to improve private borrowers' sensitivity to interest rates.

This is the prescription of Mr Lars Nyrén, chairman of the Swedish Banking Association, for releasing the dynamics in Swedish banking. Mr Nyrén is also managing director of Götabanken, the Gothenburg-based commercial bank which is the fourth largest in the country.

So far there has been action only on his third item, the tax changes. The minority Centre-Liberal government has agreed with the Social Democrat opposition to reduce the top marginal tax to 50 per cent on the majority of private incomes.

Mr Nyrén singles out a "weak fiscal policy" as the source of the banks' present difficulties. This has placed a heavier burden on monetary policy which in turn has resulted in tightened control of the banks.

It is to early, Mr Nyrén says, to see what will be the practical results of the "comprehensive" discussion this year between the banks and the Riksbank (central bank) about how to deal with the financing of the increasing deficit on the state budget.

To the charge voiced publicly this year that Swedish banks are too cautious in lending to industry, Mr Nyrén comments, first, that there has been no real problem in financing industrial investment. The low level of investment spending is due to weak profitability and low utilisation of capacity.

Second, he argues that government support for companies in crisis in recent years has precluded any real test of the banks' willingness to take risks. He points out, however, that current interest regulations prevent a bank from compensating for higher risks on its loan portfolio by raising interest.

W.D.

Regulations dominate the region's insurance market

THE MARKET for long-term capital in Sweden, Norway and Finland is so hedged about with placement restrictions and regulated interest rates that it can hardly be described as a market. Denmark stands out as the liberal exception. There are few placement restrictions and interests are free to find their level. But for how much longer this situation will last is another matter.

A key cause of, and issue in, the general election to be held in Denmark on December 8 is an attempt by the minority Social Democratic Government to change the rules for pension fund and life insurance company investments.

In an attempt to boost flagging business investment, the Government is trying selectively to channel money to housing, industry and agriculture more cheaply than at current market rates of interest. Yields on Government and mortgage bonds average about 20 per cent at the moment and have been in the 18-21 per cent bracket for the past three years.

The latest version of the Government's scheme, which has been revised several times, proposes that pension funds and life companies should be obliged to invest 10 per cent of their net placement capacity over the next five years as equity capital and subordinated loan capital or index-linked loans in agriculture, housing and industry, and that a total of 40 per cent of net placement capacity should be invested in index-linked bonds issued by both the mortgage associations and the Government.

Sympathy

There is widespread sympathy for the argument that if agriculture and industry cannot raise money for investment on reasonable terms the entire nation stands to suffer in the longer term, but at the same time the funds are obliged by law to maximise their returns.

The arguments for and against the Government's proposals are complex, but in the Folketing the key opposition parties refused to support the Government's scheme unless the pension funds and insurance companies agreed to accept the scheme voluntarily, which they were not prepared to do.

The next placement capacity of the pension funds and life companies amounts to about DKr 25bn (£1.8bn) of which the life companies account for DKr 12-13bn.

The Swedish capital market is notorious for tight regulations, high taxes on investments and general lack of vitality, features attributed usually to the controlling zeal of the authorities and the dominance of the National Pension Fund, which, however, is being challenged by the insurance companies.

Last year, the fund's net placements totalled just under SKr 16bn (£1.53bn) while the insurance companies invested SKr 14.4bn. Five years ago the fund's investments were more than double those of the insurance companies. The increase in the slice taken by the insurance companies derives from the growth of group pension schemes.

The main constraining factor on the market is the obligation of the insurance companies to place 75 per cent of net funds available from life business and 64 per cent of general insurance business in state bonds and housing bonds. The yield on housing bonds in particular is lower than that obtainable on the open market.

The Riksbank (central bank) in turn presses the national pension fund to place three-quarters of its lending in this so-called priority paper. The authorities have found it increasingly difficult to ease this restriction, while the Government has been looking for ever-increasing amounts to finance the waxing budget deficit.

Last year, the Government put a further restriction on the insurance companies by limiting their interest charges on loans to 14.5 per cent, later raised to 15.5 per cent when the discount was raised in January. The insurance companies are at one with the banks in calling for removal of the ceiling on interest rates.

The companies and pension funds are both restricted in their investments on the stock market. At the end of June the insurance companies had only SKr 3.2bn placed in shares and convertible bonds.

Mr Richard Schöönmeyr, managing director of the Federation of Swedish Insurance Companies, said: "We have many times urged the (non-socialist) Government to give us a freer market, but actual developments have been mainly in the opposite direction."

Finnish insurance business is a smooth blend of private and public sector insurance activity, "dualism" as the Federation of Finnish Insurance Companies calls it. This has arisen from the introduction in 1962 of the Employees' Pensions Act (TEL) and subsequently of similar legislation to cover seasonal workers, the self-employed and farmers. Private insurance companies and pension funds manage these pension systems and use the profits mainly for the benefit of industry.

Mr Juhani Kolehmainen, managing director of the mutual insurance company Pension-Varma, emphasised the importance of the relending procedure under the TEL scheme, involving premium incomes of about FM 7.9bn last year. The premium payers, the employers, have priority in borrowing back their premium payments.

Favourable

"TEL premium payments can be made partly by promissory note (up to 65 per cent) and the rest in cash. This means that some 60 per cent of our investment volume must be re-lent, but we are quite happy about this. After all, it goes to industry and on favourable terms (interest rate about 8.5 per cent)."

The insurance companies negotiate annually on the state's cut of the income available from investment. This varies from company to company. Last year, Varma lent the state from TEL and insurance income FM 375m and brought tax-free state bonds for about 5 per cent of its investment volume.

In Norway, investment by insurance companies and pension funds are strictly regulated. Life insurance companies and private and municipal pension funds with assets of more than NKr 5m are obliged to place a proportion of their assets in bearer bonds—30 per cent in the case of north Norwegian funds and 60 per cent for those in the south.

The result has been a steady increase in their holdings of these bonds, even though the relatively low interest paid makes the bonds a not very attractive investment. Life insurance company holdings of bearer bonds increased from NKr 13bn at the end of 1979 (44 per cent of total assets) to NKr 15.5bn at the end of 1980 (46 per cent) and NKr 17.9bn (48 per cent) on September 30 this year.

Hilary Barnes

BBC 1

9.00 am For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 The Flumps. 2.02 For Schools, Colleges. 3.00 Snooker: Coral UK Championship. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Captain Caveman. 4.50 Crackerjack. 5.35 The Amazing Adventures of Morph.

5.40 News.
6.00 Nationwide (London and South-East only).
6.22 Nationwide, including 6.45 Sportswide.
7.00 Whatever Happened to the Likely Lads?
7.30 Terry and June, starring Terry Scott and June Whitfield.
8.50 Points of View with Barry Took.
9.00 News.
9.25 Starsky and Hutch, starring Paul Michael Glaser and David Soul.
10.15 On the Town (London and South-East only).
10.45 News Headlines.
10.50 Snooker: Coral UK Championship.
11.50 The Late Film: "Hello-Goodbye," starring Michael Crawford.

TELEVISION

Chris Dunkley: Tonight's Choice

Fridays look pretty lacklustre at the moment; there isn't much of a sense that "the weekend starts here," although tonight BBC-2 does have a work in its "Playhouse" slot which certainly sounds promisingly amusing on paper. Called *Virginia Fly Is Drowning* it is an adaptation by Angela Huth of her own novel. Anna Massey plays spinster teacher Virginia. She dreams of a life of passion and romance but actually lives in the suburbs and spends her evenings with her parents. Her only hope lies in her American pen friend Charlie Oakhampton who announces that he is coming to London on business. Then Virginia is asked to take part in a television documentary about premarital love, and it looks as though her fantasies might become realities.

That apart it looks a run of the mill evening. In *The Country* on BBC-2 visits Woods Mill, headquarters of the Sussex Trust for Nature Conservation, and Tony Soper and naturalist David Streeter find some of the classic Sussex Downland plants.

In *Newsweek* on BBC-2 Keith Kyle looks at the state of the U.S. one year after President Reagan's election. In ITV's *Soap* Eunice and Dutch try to solve their perennial sex problem. And *Snooker* on BBC-1 starts to build up to tomorrow's final of the UK Professional Championship.

BBC 2

11.00 am Play School.
3.55 pm Pro-Celebrity Golf.
4.45 War at Sea.
†5.45 "Tarzan's New York Adventure," starring Johnny Weissmuller.
6.55 News Summary.
7.00 Oxford Road Show.
7.40 Hold Down a Chord.
7.55 In the Country.
8.25 Newsweek.
9.00 The Mike Harding Show.
9.30 Playhouse.
10.50 Newsnight.
11.35-12.30 am Friday Night ... Saturday Morning.

LONDON

9.30 am Schools Programmes. 12.00 A Handful of Songs. 12.10 pm Once Upon a Time. 12.30 Wild, Wild World of Animals 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Taff Acre. 2.00 After Noon Plus, presented by Elaine Grand and Simon Reed. 2.45 Friday Matinee: "Only With Married Men." 4.15 Mouse-warming. 4.20 Storybook International. 4.45 Spectrum, presented by Paul Henley. 5.15 White Light: "Violence." Victims of violence don't forget easily—if they're alive to remember.

5.45 News.
6.00 Thames News with Andrew Gardner and Tricia Ingrams.
6.30 Thames Sport.
7.00 The Amazing Spiderman.
8.30 Bruce Forsyth's Play Your Cards Right.
9.00 The Gentle Touch.
10.00 News.
10.30 Soap.
11.00 The London Programme.
11.35 Police 5 with Shaw Taylor.
11.45 Strumpet City, starring Cyril Cusack.
12.45 am Close: Personal Choice

† Indicates programme in black and white

All IBA Regions as London except at the following times:—

ANGLIA

12.30 pm Fit For Living. 1.20 Anglia News. 2.00 Houseparty. 2.25 Friday Film Matinee: "Bud And Lou." 5.15 End of Part One. 6.00 About Anglia. 11.00 Members Only. 11.30 Friday Late Movie.

ATV

12.30 pm Fit For Living. 1.20 ATV News. 2.45 Movie Matinee: "Passion," starring Cornel Wilde. 5.15 Here's Boomer. 6.00 ATV Today, including ATV Sport. 10.30 Going Out. 11.00 ATV News. 11.05 Thriller: "File It Under Fear."

BORDER

12.30 pm Fit For Living. 1.20 Border News. 2.45 Matinee: "Life Is A Circus," starring the Crazy Gang. 5.15 Bygones. 6.00 Lookaround Friday. 6.30 That's Hollywood. 10.30 The Book Programme. 11.00 Roots. 11.30 Border News Summary.

CHANNEL

12.30 pm Fit For Living. 1.20 Channel Lunchtime News, What's On Where, and Weather. 2.45 The Friday Matinee: "Silver Lode." 5.15 The Adventures of Niko. 6.00 Channel Report. 10.28 Channel Late News. 10.35 A Dartmoor Evening. 11.30 Chicago Blues. 12.25 am News and Weather in French.

GRAMPIAN

9.30 am First Thing. 12.30 pm Fit For Living. 1.20 North News. 2.45 Friday Matinee: "Nurse On Wheels," starring Juliet Mills, Ronald Lewis and Joan Sims. 5.15 Happy Days. 6.00 North Tonight, including Sports Desk. 10.30 Feature Film: "Benjamin." 12.20 am North Headlines.

GRANADA

11.54 am The Bubbles. 12.30 pm Fit For Living. 1.20 Granada Reports. 2.00 Live From Two. 2.45 Friday Matinee: Vivien Leigh and Rex Harrison in "Storm In A Teacup." 5.15 Here's Boomer. 6.00 Granada Reports. 6.30 Kick Off. 10.30 A Week on Friday. 11.00 Roots. 11.30 The Late Film: Peter Cushing in "The Vampire Lovers."

HTV

12.30 pm Fit For Living. 1.20 HTV News. 2.45 Modern Madcaps. 2.50 "Future Cop," starring Ernest Borgnine. 5.15 Twenty Fie. 5.20 Crossroads. 6.00 Report West. 6.30 The Longest River. 10.28 HTV News. 10.30 Report Extra. 11.00 "Rabbit Run," starring James Caan.
HTV Cymru/Wales—As HTV West except: 10.48-11.03 am Y Byd A'i Bethau. 11.34-11.49 About Wales. 11.50 Cartoon Time. 12.00-12.10 pm Ffalabalam. 1.20-2.00 Happy Days. 4.15-4.45 Plant Dyn A'i Fyd. 6.00 Y Dydd. 6.15 Report Wales. 6.30-7.00 Teff Acre. 10.30-11.00 Outlook.

SCOTTISH

12.30 pm Fit For Living. 1.20 News and Road and Weather. 2.45 Dick Tracy Cartoon. 2.45 Friday Matinee: "Punch And Jody." 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 10.30 Ways and Means. 11.00 Thriller: "Kiss, Kiss, Kill, Kill." 12.20 am Late Call.

SOUTHERN

12.30 pm Fit For Living. 1.20 Southern News. 2.00 Houseparty. 2.25 "The Crash Of Flight 401." 5.15 Dick Tracy cartoon. 5.20 Crossroads. 6.00 Day By Day. 6.00 Scene South-East (South-East Area only). 6.30 The Entertainers. 10.35 "The Red Circle."

TYNE TEES

9.25 am The Good Word. 9.30 North-East News. 12.30 pm Fit For Living. 1.20 North-East News and Lookaround. 2.45 Friday Matinee: "The Imposter." 5.15 The Clifton House Mystery. 6.00 North-East News. 6.02 Sportstime. 6.30 Northern Life. 10.30 North-East News. 10.32 Friday Live. 12.00 Superstar Profile. 12.30 am Poet's Corner.

ULSTER

12.30 pm Fit For Living. 1.20 Lunchtime. 2.45 Friday Matinee: "Life Is A Circus." 4.13 Ulster News. 5.15 Survival. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Witness. 10.35 Lou Grant. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Fit For Living. 1.20 Westward News Headlines. 2.45 The Friday Matinee: "Silver Lode." 5.15 The Adventures of Niko. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 A Dartmoor Evening. 11.30 Chicago Blues. 12.25 am Faith For Life. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm Fit For Living. 1.20 Calendar News. 2.45 Friday Film Matinee: "Gunn For Danger." 5.15 Here's Boomer. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Sport. 11.00 The Friday Night Film: "The Wicker Man."

RADIO

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.45 Roundtable. 7.00 Andy Peebles. 10.00-12.00 The Friday Rock Show (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 Don Durbridge with Much More Music (S). 8.00 Take Your Partners at the Radio 2 Ballroom (S). 9.45 Friday Night Is Music Night (S). 9.55 Sports Desk. 10.00 Marks in His Diary. 10.30 The Bing Crosby Show. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Sibelius (S). 10.00 Tunnell Clarinet Trio (S). 11.25 Strings and Pipes (S). 12.15 pm Midday Prom, part 1 (S). 1.00 News. 1.05 Interlude. 1.20 Midday Prom, part 2 (S). 2.05 Williamson and Bliss song recital (S). 3.05 Aeolian String Quartet (S). 4.00 A Service of Thanksgiving (S). 4.55 News. 5.00 Mainly For Pleasure (S). 6.55 Play It Again (S). 7.00 Claudio Arrau piano recital (S). 7.30 Scottish National Orchestra, part 1: Simon Thorne, Glazunov (S). 8.10 Poetry Now. 8.30 SNO, part 2: Rimsky-Korsakov (S). 9.20 Music in Our Time (S). 10.10 Souvenirs of Chabrier (S). 11.00 News. 11.05-11.15 Sor (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Desert Island Discs. 9.45 A Sideways Look at . . . by Anthony Smith. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 You the Jury. 11.50 Bird of the Week. 12.00 News. 12.02 pm You and Yours. 12.27 The Senior Partner. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.05 Poetry Please! (S). 4.15 Herbs, Useful Plants. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America by Alistair Cooke. 9.30 Kaleidoscope (S). 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 John Ebdon with recordings from the BBC Sound Archives. 12.00 News.

FT COMMERCIAL LAW REPORTS

Uniform dates for frustrated charter parties

INTERNATIONAL SEA TANKERS INC OF LIBERIA v HEMISPHERE SHIPPING CO LTD OF HONG KONG
Court of Appeal (Lord Denning MR, Lord Justice Dunn, and Lord Justice Fox): December 1 1981

WHERE SEVERAL charter-parties are frustrated in the same circumstances and at the same time by war, lack of uniformity among arbitrators as to the frustration date is a ground on which leave to appeal from an award should be granted so that an authoritative decision, binding in respect of all the charter-parties, may be given by the court as to the correct date.

The Court of Appeal so held when dismissing that part of an appeal which related to the date of frustration of a charter-party. Hemisphere Shipping Company Ltd of Hong Kong, shipowners, appealed from Mr Justice Goff's decision granting leave to International Sea Tankers Incorporated of Liberia, charterers, to appeal from an arbitrator's award.

* * *

LORD DENNING, Master of the Rolls, said that in September 1980 war broke out between Iran and Iraq. The fighting became intense, especially along the Shatt-al-Arab river which divided the two countries, and 60 ships were trapped. They were flying flags of many colours and sailing under different charterparties. The crews left but the vessels remained and they were still there. All the charterparties became frustrated. It was vital to know the date of frustration, because from then on no hire would be payable by the charterers, and the shipowners would have to suffer the loss.

Four cases had been heard by arbitrators. In each one different arbitrators had given different frustration dates. In *The Evia* the date was held to be October 4, 1980, whereas in *The Wenjang* it was November 24. In another case it was December 9, and another, November 24.

Something should be done to achieve uniformity of treatment. All the arbitrators had been supported with much the same evidence, and on the facts of *The Evia* and *The Wenjang* those two cases were indistinguishable. In both *The Evia* and *The Wenjang*, the commercial judge gave leave to appeal from the arbitrator. In *The Evia* the appeal came before the commercial judge who held, on August 6, that the charterparty was frustrated on October 4.

In the present case the owners of the Wenjang appealed to the Court of Appeal, saying that the commercial judge was wrong to give leave to appeal from the arbitrator.

Under the Arbitration Act 1979 certain guidelines were to be taken into account by a judge in an application for leave to appeal from an arbitrator. It was clear that a commercial judge should be able to decide, quite quickly, whether to grant leave. One did not want to have the whole case argued out at the application stage, except where the matter was so urgent or so short that the judge could give leave and hear the appeal at once.

In the ordinary way, on the application, the judge would have the arbitrator's award before him, and counsel to argue it. He should look at once to see if it was a "one-off" case. It might be one-off because the facts were so exceptional that they were singular to the case and not likely to occur again, or because the point was one of construction of a clause singular to the case which was not likely to be repeated. In such a case, the judge should not give leave if he thought the arbitrator was right, or probably right, or may have been right. He should only give leave if he formed the provisional view that the arbitrator was wrong on a point of law which could substantially affect the rights of one or other of the parties.

The present case was not a singular case. It was concerned with one of 60 ships trapped in the Shatt. When 60 ships were all trapped, it was a mistake to consider each award in isolation. It was of great importance to the trade that there should be uniformity of decision. When the question of frustration arose on 60 ships in a like situation, on like evidence, each decision should be the same as the others.

In such a situation, if the judge in the first case thought the arbitrator's decision was not right, or might not have been right, he should give leave to appeal from the arbitrator. Then, on the hearing of the appeal, the court should consider what was the correct decision on the facts, and the court's decision would be a question of law.

If the judge found that the arbitrator's decision was right that would, in the words of Lord Diplock in *The Nema (1981) 3 WLR 292* at page 305, "afford guidance binding upon the arbitrators in other arbitrations arising out of the same event." If he thought that the decision was not right, it would not afford any guidance. The judge would then decide on the facts himself, and his decision would afford guidance binding on other arbitrators. If the first case did not stop at the Commercial Court, but was carried to the Court of Appeal, then the Court of Appeal would give guidance which should be regarded as binding in future cases. In short, the first authoritative decision should be regarded as governing all others.

Applying those principles to the present case, it was quite clear that the judge was right to give leave to appeal so that he or the Court of Appeal could decide what was the correct date to take as the date of frustration.

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LORD JUSTICE DUNN said that it was not disputed that the charterparty was frustrated. The only issue was as to the date. In *The Nema* Lord Diplock said at page 305, that where there were events of a general character, affecting similar transactions, it was "in the interest of legal certainty that there should be some uniformity in the decisions of arbitrators as to the effect, frustrating or otherwise, of such an event on similar transactions."

Where, as in the present case, two arbitrators had drawn different inferences from substantially the same primary facts, then the court should intervene in the interest of certainty. Frustration was, in the final analysis, a question of law, and if the courts did not intervene, the same set of facts could be decided either way in successive cases. The disagreement must be resolved by the court, and the question of law decided.

*

LORD JUSTICE FOX said that it was recognised by the House of Lords in *The Nema* that a catastrophic event, such as war, which might affect a number of contracts in the same way, might require a different approach on the question of leave from an arbitration from that which was appropriate in the one-off case.

The general conditions in which the ships found themselves were the same, namely the hostilities between Iraq and Iran, and there was a sufficient similarity of substance in important matters relevant to frustration to make it probable that the courts could offer general advice of value. The judge was right to give leave to appeal on the question of the date of frustration.

For the owners: John Thomas (Holman, Fenwick & Willan).

For the charterers: Michael Dean QC (Sinclair, Roche & Temperley).

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

KEMPTON proved one of Fred Winter's happiest hunting grounds last season with 10 Uplands winners from 34 runners and there is every indication that the trend can continue.

This afternoon the seven times champion trainer fields three entries on the Sunbury course: the hat trick-seeking Dasman, Musso and Prayukta.

Six-year-old Dasman, owned by Sheikh Fahad, has been improving steadily of late. In the Doug Barrott Hurdle—run in memory of Josh Gifford's fine jockey killed at Sandown—he will have to defy 11st 10 lbs.

He was runner-up by a length to Golden River on his hurdling debut at Cheltenham two months ago, and went one better on the same course shortly afterwards, putting eight lengths between himself and Bradamante in a 25-runner novices' event.

On the strength of that showing, Dasman set off at long odds on for a similar event at Newbury last month. He again gave his supporters no worries, wining by the same margin as at Cheltenham.

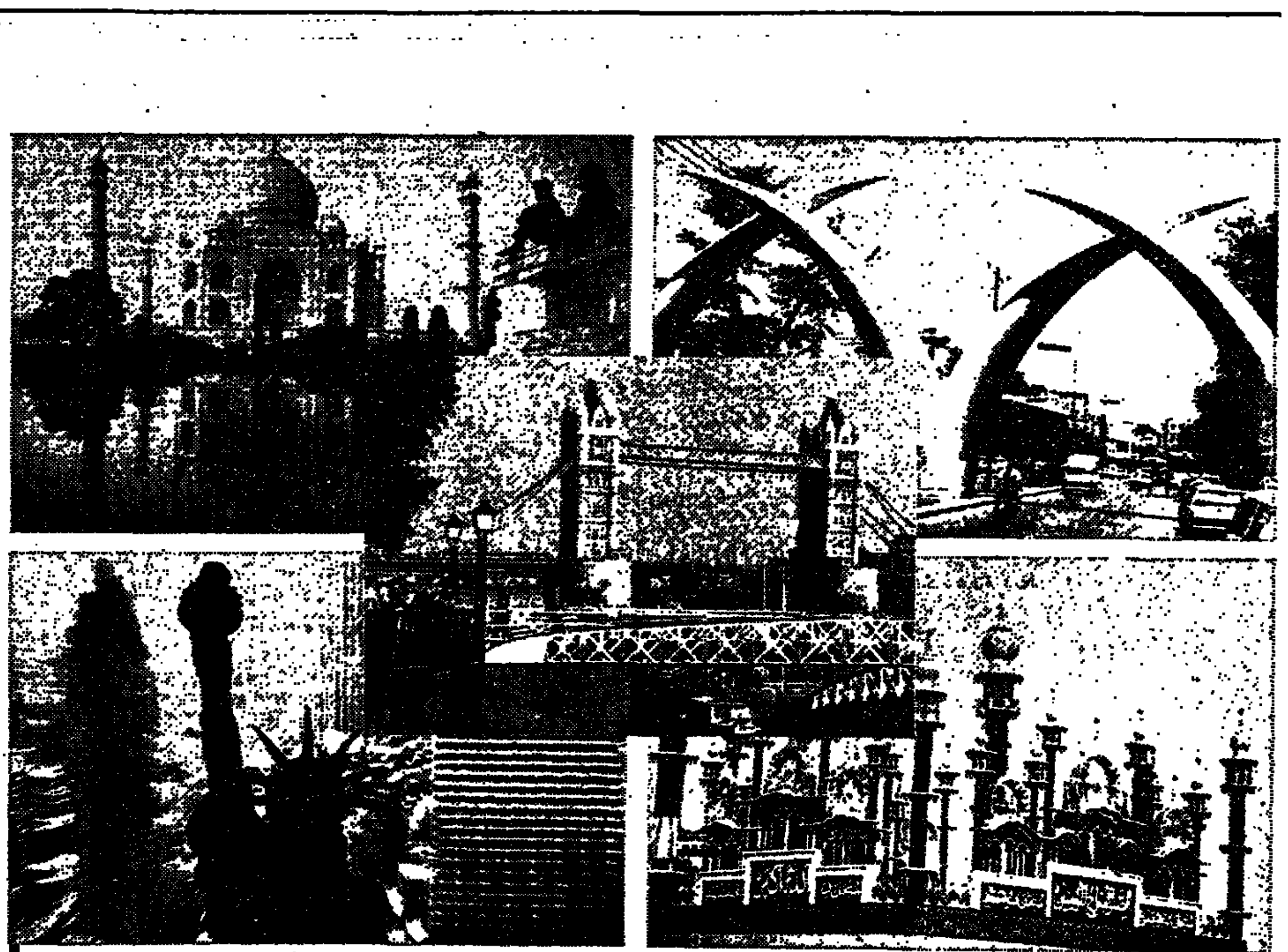
It seems probable Dasman has the class to give weight to all his 16 opponents.

Musso is another young hurdler on the upgrade. He was beaten by a head by Charlie Muddle on level terms at Ascot on October 28, and later came good by a similar margin when giving 4 lbs to Another Generation.

Prayukta, who impressed so many observers when cruising to an effortless success in his *chasing debut, looked badly in* need of an additional half mile when running the minimum distance at Sandown on November 13.

Fred Winter returns him to two and a-half miles in the Palace Handicap Chase and the six-year-old can justify the move by outpacing last year's winner, Sweeping Along.

KEMPTON
1.00—African Prince
1.30—Dasman
2.00—Sea Captain*
2.30—Musso**
3.00—Prayukta***
3.30—Busting
NEWCASTLE
1.15—Go Lightly
1.45—Little Bay
3.15—Sensing



THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Safety: a cost that pays dividends

BY ALAN PIKE

The cost to the UK economy of industrial accidents is high, according to a new report by the Health and Safety Executive. One company which believes good safety practices help profitability rather than hinder it is Matthew Hall, which this week forecast a rise in 1981 profits to £10m.

FATAL ACCIDENTS in the construction industry are increasing, and part of the reason for this tragic trend appears to be that economic pressures are forcing companies to cut back on safety standards.

But — quite apart from moral considerations — do those companies which are slimming their safety budgets really have economic logic on their side? Although the construction industry's overall accident record has deteriorated the Matthew Hall engineering contracting group has just won the highest safety award presented by the Royal Society for the Prevention of Accidents. And, still more significantly, Matthew Hall does not regard safety expenditure as a drain on resources but as an aid to profitability.

This week Matthew Hall's interim results showed a continuing reasonable level of profitability to which, the company believes, its good occupational health and safety record makes an important contribution.

The message that at least some companies believe bad safety practices cost money is a timely one. A report compiled by two members of the Health and Safety Executive staff suggests that accidents and industrial diseases — excluding subjective factors like pain and suffering —were costing Britain between 0.5 and 0.9 per cent of gross national product in 1978-79.

Quantifying the savings made from a good safety policy is a near-impossible task, since there is no means of proving that any particular number of accidents would have happened if safety procedures had not been in operation. But Matthew Hall has at least been able to win the confidence of its insurers sufficiently over the past four years to gain very substantial reductions in its employer's liability premium.

Alan Brown, the main board director who has overall responsibility for safety and security policy throughout the group, believes that a range of other savings—some more measurable than others—can also be attributed to safety consciousness.

On the construction site itself these can span from a reduction in the ever-present major risk of fire to savings on small items of damaged equipment. Other "hidden costs" of accidents which Brown tries to keep under control include disruption of work schedules and consequent extra overtime, medical, first aid and administrative costs and the possibility of prosecution.

Bad publicity associated with this last point could reduce the company's chances of being awarded future contracts, particularly on projects where the main contractor has a positive safety policy. Brown is also convinced that, by showing an active concern for its employees' safety, Matthew Hall has gained real benefit through an improved industrial relations climate.

Managerially, Matthew Hall enforces its safety policy by making a director of each of its subsidiaries—there are 14 in the UK—specifically responsible for safety, under the overall control of Alan Brown on the main board. Safety is included on the agenda of all subsidiary and main board meetings, rather than being left as a subject which is discussed only after something has gone wrong.

Security

All new employees are issued with a 12-page booklet setting out the company's safety policy, and have to provide a signed statement that they understand it.

The policy in this booklet provides the framework around which the group safety and security adviser and his colleagues give practical effect to the board's commitment to health and safety at work. This comprehensive statement of safety policy goes into areas like design safety and education and training, as well as specifying the duties of directors, managers, supervisors and employees.

Matthew Hall issues the booklet to companies tendering for sub-contract work and they—like new employees—must be prepared to acknowledge Matthew Hall's safety policy before a contract is awarded. The safety policy also makes Matthew Hall's purchasing and plant departments responsible for ensuring that, as far as is possible, companies supplying materials also understand and fulfil their duties under the Health and Safety at Work Act.

The need for this sort of stringent approach to safety questions in construction-related activities is starkly illustrated by the industry's recent safety record. Fatal accidents have recently been running at a higher level in construction than in the rest of manufacturing industry put together. There were 128 fatal accidents last year compared with 119 in 1979—even though activity in construction dropped sharply over this period.

The industry has been under considerable economic pressure recently and this pressure, said Jim Hammer, chief inspector of factories, in his last report, has led to increased questioning of the costs and benefits of health and safety legislation.

There is particular concern in the TUC that the improvements in health and safety which big construction employers have made in recent years have not been imitated by sufficient medium-sized and smaller companies. Not all the blame, however, can be attached to employers.

The TUC admits that, in contrast to other industries, construction workers have not responded enthusiastically to new legal opportunities for becoming more involved in protecting themselves through the appointment of safety representatives and committees. Response to TUC courses for construction industry safety representatives has been limited.

A number of possible initiatives is being considered by the TUC and the Health and Safety Commission's Construction Industry Advisory Committee (CONIAC) to improve matters. These include publicity campaigns, more stress on the importance of written safety policies like the Matthew Hall one —these are a legal requirement but their style and value can vary—and the possibility of requiring the main contractor on construction sites to appoint safety co-ordinators to liaise with sub-contractors.

One fundamental problem, which is not confined to the construction industry, is a lack of awareness among both employers and employees about the real cost of accidents. To some extent this is unavoidable because the subject is not well-served with conveniently comparable statistics, and the work of Phillip Morgan and Neil Davies at the Health and Safety Executive therefore promises to be a useful advance in the field.

The researchers (whose work is summarised in the November issue of the Department of Employment Gazette), divide the price of accidents between resource costs—lost output, damage to plant and equipment, medical treatment and administrative costs—and non-market subjective costs. Morgan and Davies stress the tentative nature of their estimates, with good reason. Many minor accidents, for example, go unrecorded although the research suggests that they may be responsible for between one-fifth and three-fifths of the total resource costs of all accidents at work.

Even when the qualifications are fully accepted, however, the results provide an impressive financial justification for health and safety at work being taken very seriously. It is calculated that in 1978-79 the total resource costs of occupational accidents was between £700m and £1.4bn. Subjective costs—the pain and suffering aspect—are estimated at £400m, while costs of industrial diseases added another £90m.

In round terms, then, the cost of health and safety at work can be assessed at between £1bn and £2bn a year. If companies like Matthew Hall can save even part of their share of this, it is a worthwhile financial exercise.

And, as Alan Brown stresses, it is an even more important human exercise. In 1983 CONIAC is launching Site Safe 83, a campaign designed to co-ordinate and extend the work of publicising health and safety activities in the construction industry. It is a sobering thought that by the time the campaign begins scores of construction workers will, simply by following the matter-of-fact routine of going to work, have lost their lives.

Hugh Routledge

Partners in safety: Peter Anderson (centre), Matthew Hall's group safety and security advisor, Ken Harris (right), senior safety officer, Matthew Hall Mechanical Services, and site manager, John Coulter. Matthew Hall has just won a Royal Society for the Prevention of Accidents award

Whetting the appetite for automation

GROWING INTEREST in the whole subject of automation is producing a growth business of its own in providing managers with shoals of information, films, visits, conferences, etc. Stimulated by the glimpses of robots going through their paces at BL's Metro plant, and the first automation exhibition to be held in this country (at Brighton in May) which was opened by the Prime Minister, the British manager has shown an increasing awareness of the subject over the past year and seems still to be thirsting for more knowledge.

The latest offering in the information business is a book entitled The Management of Automation*, which claims to be an authoritative survey of the current trends in automation and seeks also to cover some of the human aspects. The book is based on papers delivered to two conferences organised by the British Management Data Foundation over the past year, with supplementary material arising from a "World Automation Tour" to the U.S. and Japan.

The range of topics covered in the book is wide enough to whet the appetite of most managers in manufacturing industry, and it is mostly explained in a readable manner supported by diagrammatic examples and photographs. The papers include studies of computer aided design and manufacture in practical applications, automation in engineering manufacturing — including the development of flexible manufacturing systems—and a case study on automation in the Metro plant.

An understanding of the challenge of automation is essential for managers before they take the plunge into investing. The record of companies which bought advanced technology machine tools without fully understanding the implications for associated manufacturing processes should be sufficient to ensure that similar mistakes are not made in robotics. Most of these companies have now sorted out their problems with the new generation of machine tools, but for many it was a long and expensive process.

The book is less satisfactory on the human aspect that it claims to examine. Perhaps this is excusable since there has been very little investment in automation in Britain so far. The examples can only come, therefore, from those countries like Japan in particular, although less so in the U.S., which have very different industrial relations structures from the UK.

It would have been much more interesting, for instance, if the application of automation in production methods at the Metro plant in Longbridge had been studied from the point of view of consultation, participation and implementation of the systems with the shopfloor workers. It is this sort of information which the manager wants as much as the technical implications.

One other point that must be made about the book is that it is not a textbook guide to automation for the manager. The papers are reprinted just as they were delivered, which means they are sometimes long-winded and less than punchy for somebody who is trying to find the pros and cons of a particular system. An important omission is the absence of a subject index, while there are enough printing and punctuation errors to cause considerable annoyance in a publication of this type.

* *Available from British Management Data Foundation, 29, St James's Street, London SW1A 1HB. Price £12 plus £1.80 p and p. Or by phone on 01-363 7452.*

Hazel Duffy

Business courses

Modern Technology in Business and Industry, Jerusalem, Israel. December 30-January 1. Fee: £185. Details from the Friends of the Jerusalem College of Technology, 143-145 Brondesbury Park, London NW2 5JL.

Strategies for Improving Energy Performance in Office Buildings, London. January 20. Fee: £15 members, £17 non-members of the Design and Industries Association or Royal Institute of British Architects. Details from Design and Industries Association, 17 Lawn Crescent, Kew Gardens, Surrey TW9 3NR

Planning New Technology for Effective Communication and Decision Making, Uxbridge. January 20-21. Fee: £195 per person. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH

Effective Business Presentations, Maidenhead. January 20-22. Fee: £311 (plus VAT) members, £345 (plus VAT) non-members of the Institute of Marketing. Details from The College of Marketing, Moor Hall, Cookham, Maidenhead, Berkshire SL6 9QH.

National Energy Managers' Course, Berkhamstead. January 17-22. Fee: £385 (plus VAT). Details from British Institute of Management Foundation, Management House, Parker Street, London WC2B 5PT.

THE ARTS

Theatre Royal, Glasgow

Scottish Opera

by RONALD CRICHTON

The *Cosi fan tutte* mounted for Scottish Opera by Anthony Besch as far back as 1967 has been revived for the present season under the producer's direction with Gyorgy Fischer conducting. Much praised at the time, Besch's staging wears exceedingly well. This revival proves that old productions can keep fresh easily enough if their creator is put in charge again. In Besch's *Cosi* good manners, not always lavished on this opera today, are backed by sharp wit and perception. The ambiguities of the lovers' pairing and re-pairing are clearly noted but not pressed home. The shifting symmetries are firmly but delicately stressed—Besch is aided here by John Stoddart's simple, elegant sets and costumes, moving with the action from everyday black and white to the bright colours of wishful fantasy and back again. Direction and design are close-knit: each gesture tells, likewise every object—plume, silken train or warlike weapon.

Among the well-balanced cast there was special interest in the Fiordiligi of the Scottish soprano Margaret Marshall, sweet and supple of voice, gently radiant in personality. A most accomplished and promising if not yet a complete Fiordiligi—like many singers from Northern races who have the sensibility for the role, Miss Marshall so far lacks the Latin tang in the lower extension of the range much exploited here by Mozart. The Dorabella of Ann Murray, Robin Leggate's Ferrando (in spite of some thready moments in Act 2) and Ian Caddy's Guglielmo were distinguished individually and as a team. Alfonso (Tom McDonnell) and Despina (Beryl Korman) atoned in muscianliness and comic restraint for some unsteady tone. Fischer's conducting, uniting polish with acute, unforced illumination, capped the pleasures of an unusually satisfying evening.

"International opera" it says on the canopy outside the Theatre Royal. Justified? Desirable? Well, this *Cosi* with a British cast and a Hungarian-born conductor would have done credit to a Mozart-sized opera house anywhere. But the previous night's *Pearl Fishers* with mainly British, indeed Scottish, forces came nowhere near that level. Much indeed was disconcertingly provincial.

The production, by Steven Plimlott with designs by *Stefan Lazaridis*, was first seen last September on tour at Newcastle. Monday's Glasgow premiere looked thrown on with a minimum of rehearsal. The first act was frankly awful—so much so that a marked improvement in Act 2 (well-staged storm finale) could not wipe away memories of do-it-yourself choreography slumped through by the chorus, recitative accompaniments from the orchestra under Ian Robertson with chords about as incisive as children shovelling sand into buckets, and the tenor Gordon Christie manifestly overparted as Nadir.

Yet exception must be made for the excellent Zurga of Donald Maxwell, a young baritone with a voice of such beauty and such keen stage presence that one prays he will not be tempted to undertake too much too soon. As Leila the erring priestess, the understandably popular Marie Slorach gave so good an account of her big aria that her failure to make much of the Invocation to Brahma and her tendency, conscious or not, to imitate the mannerisms of Ileana Cotrubas, were the harder to understand. Roderick Kennedy's High Priest Nourabad prowled ferociously and sang sonorously. And Mr Christie sang Nadir's off-stage solo "De mon amie," one of the most ravishing of Bizet's exotic inspirations, better than many tenors who can manage the *rest of the role*.

The opera was sung in French. One has heard far worse diction but it all sounded more like lessons painfully learnt than the real thing. What was gained? Carré and Cormon's libretto is nothing much, and it bristles with difficulties for Anglo-Saxon throats. Even the first line of the famous tenor-bariton duet—"Au fond du temple saint"—springs four vowel-traps.

The Lazaridis sets are simple and sufficiently evocative, the costumes colourful as cut fruit and not cumbersome. One naturally takes the designer's word for it that Ceylonese pearl fishers wear pony-tails, but wouldn't they get in the way under water? On the whole, though, this performance was not up to the occasion—a gala in aid of Action Research for the Crippled Child.

Cinema

Messiahs new and old

by NIGEL ANDREWS

Force Five (X) Rialto and General Release
Tibet: a Buddhist Trilogy ICA Cinematheque
Maidens in Uniform (A) Everyman Hampstead

"There is only one thing worse than new Messiahs" Bertrand Russell once said, "and that is the old Messiahs." And Luis Bunuel, following him closely to the Unbelievers' finishing-tape, quipped in secular old age, "Thank God I am still an atheist."

Religious feeling in its primal promptings has a potent universality and appeal: a sense of wonder at Life's origins and meaning, and a belief that there are more revelations contained therein than meet the five earthly senses. It is when this wonder and belief are "systematised"—into Christianity or Buddhism or Scientology or what-pray-you—that credibility tends to fissure, dogmas to start yapping at the heels and chasms to open up over catechisms.

Force Five and *Tibet: A Buddhist Trilogy* are cinematic opposites bursting up in the same movie week and yoked by numinous nonsensicality together. The first is a gung-ho adventure yarn about a commando-gang sent to Seek and Destroy the island leader and bodyguards of an Oriental new religion. (The movie catchpennily hybridises such recent headline-snatchers as Jonestown and Moonie-ism.) The second is a three-part documentary about an old religion, Buddhism in present-day Tibet.

They are definitely not films that would ask to kneel on the same prayer-mat. In *Force Five* written and directed by Robert Clouse, religion is scarcely more than the detonator to much high-flying fisticuffs and footicuffs. The grey-haired Reverend Rhee, played by "Master Bong Soo Han" in alternating *bouts of inscrutable* serenity and feet-up physicality, is a Holy Charlatan who has corralled on his Pacific island large quantities of white-robed, yea-saying disciples whom he first relieves of their personal fortunes (by willing signature) and then, in troublesome cases, of their lives. Enter "Force Five," played by a quintet of unheard-of stars, and you may conjecture the percussive climax for yourself: fulminous feet, clashing craniums and many a gurgle and screech as bodies thud across the screen.

The film is 90 minutes of toshery, but it's catchily tuned-in to an epoch in which false creeds by-the-dozen are jumping into the void left by the exit of orthodox religion. And it offers also a healthy Caveat-Emptor message for all religious window-shoppers, whether looking for traditional or *arriviste* beliefs.

It should be obligatory viewing, for example, for all those who take in *Tibet: A Buddhist Trilogy*. Buddhism, like Christianity, was built on hagiology and hogwash as well *as on high ideals and high* intelligence, and the former are certainly in plain view in these three docu-portraits of Buddhist Tibet, directed by Graham Coleman and produced and photographed by David Lascelles. Unlike *Force Five*, a commercial firecracker, this is "serious" film-making. Coleman and Lascelles indeed are so deferentially enwrapt by their subject—camera poring over worshippers and sacred objects; no voice-over commentary, just awed and tiptoeing subtitles; no music score, just the mutter of worshippers, the sounds of Nature—that the Reverend Rhee could easily steal up from behind them and rob their wallets in mid-Mantra.

Buddhism, like all religions, has its beautiful byways and its sudden shafts of shining truth. But the films don't explore them, they snowblind us instead with spiritual pseudo-science. "All-radiant emptiness of unapprehendable vision . . . colossal nightmare of ego destroyed by sword of insight . . . " burble the subtitles, agog with fuliginous wisdom; and it is when two or three worshippers are gathered together—or four or 20 or a 100 — bound in an indenti-trance and murmering identical Messianic formulae that religion takes on the sinister aspects of Mass-cult. There is no need for the semaphored villainy of the Reverend Rhee to tell us what macabre slipstreams that may lead us into.

A scene from Maidens in Uniform

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It may lead us, for example, to such essays in communal-euphoria as National Socialism. *Maidens in Uniform*, 50-years-old and an oft-sung but seldom-seen German classic, is revived at the *Everyman Hampstead* and is the most modern film of the week. It's a blast against all forms of moral and mental regimentation, and an astonishing early-warning siren sounded in Germany two years before Hitler's accession to power.

The clairvoyant microcosm of Nazi society depicted by director Leontine Sagan is a girls' boarding school run with Prussian rigour and puritanism by a bun-haired bundle of hatred calling herself Headmistress. (Or rather, since we are in Germany, 'Frau Oberin'.) Into the penitentiary comes a pretty spark of a girl (Hertha Thiele) who first falls in love with one of the mistresses and then dares to trumpet her love during an after-play party when she is walking tall and slightly drunk-with-punch in breeches and frills after playing Schiller's Don Carlos.

Skin and hair soon figuratively fly while the headmistress stomps the corridors to seek and slay the dragon of Lesbianism. But love's labours are finally won when the girl, banned from contact with her beloved, displays the measure *of her grief in a suicide bid*, teetering on a top-ledge of the school's plunging stairwell. The headmistress is shell-shocked into silence, the girls clamour to rescue their heroine (and succeed), Frau Oberin slowly disappears—last shot—into the entombing corridors of darkness.

Would that Herr Fuhrer had followed her example; but director Sagan soon found herself fleeing Germany, the film was banned by Goebbels after its triumphal first year or two in the cinemas, and the rest is well-recorded history.

The film is startlingly modern not only in theme but in enactment. There's a bubbly, conspiratorial spontaneity in the scenes among the girls that rings timelessly true, and the film ripples throughout, like the light that bathes the bleak stone walls, with the covert shimmer and tremor of young love. (In one scene the heroine's beloved schoolmistress and idol-of-all-eyes goes round the dormitory giving each girl a goodnight kiss, and the screen hums with a hallowed-expectant awe gently laced with eroticism.)

That *Maidens in Uniform* is also funny, barbed and satiric—in its picture of rebel schoolgirls smuggling out parental letters of appeal (of course intercepted) and of arachnid teachers scuttling on spite-missions through grim corridors—is the extra dimension that builds an all-round, all-time humanist classic. See it and marvel for yourselves.

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Natalie Wood, who died this week aged 43, was among the starriest of modern stars: full of the effervescence of a fizzier Golden Age in Hollywood (where she made her debut at age 5) and sometimes seeming a glamorous misfit in more realistic modern roles. Her last film seen in Britain was *The Last Married Couple in America*, and surrounded by actors gifted at hangdog hilarity (George Segal, Richard Benjamin) her up-and-at-'em, catch-throated vivacity seemed out-of-place, even if at times decoratively tonic.

She was at her best breathless, nervy, a little distraught beneath the dynamism—in backstage-showbiz roles, like *Gypsy* or *Inside Daisy Clover*, where her trial-and-error trouper's enthusiasm matched the story itself. Her "You're Gonna Hear From Me" number from *Daisy Clover* is a classic: full of the excitement and give-it-all inspiration of an overnight star's Big Chance.

In some later films she sharpened a talent for tigerish wryness that suited the more cynical '60s and '70s and brought her success in chamber-comedies like *Bob and Carol and Ted and Alice*. But there was always a grain of the grown-up child-star in her, a "Look at me, I'm acting," and a charismatic little-girl pugnacity. In an age of determinedly low-flame, slow-burn stars like Redford and Kristofferson and (her co-star on the last film she was making) Christopher Walken, those gifts of perkiness, sparkle and sudden fire will be missed.

St. John's, Smith Square

Pro Musica Nipponia

by DOMINIC GILL

This excellent group, 16 players strong, is one of an *increasing number of* Japanese ensembles playing traditional instruments who devote themselves to the performance of new versions of traditional Japanese music, and also to new works written for old instruments which exploit their particular character, technique and timbre.

Of the four wholly new pieces which they played at their concert on Wednesday, the pair by the ensemble's artistic director, Minoru Miki, were by far the most arresting. According to the composer's programme note, *Convexity* for 10 instruments was ostensibly a "political" work: but in reality it succeeded no better than any other piece of pure music in expressing any kind of political or philosophical dialectic.

It is a slow-moving score: but full of fine detail, subtle fragrance. The conductor directs from a large tambour, which he plays with a pair of thick sticks, like claves. The few larger ensemble sections are linked by a series of cadenzas for single instruments accompanied, and sometimes dramatically punctuated, by tambour—notably a brilliant virtuoso flight for shamisen (a little square banjo, plucked with a wooden plectrum). The largest section, quite distinct, almost a movement to itself, was at once exhilaratingly, unambiguously tonal and unmistakably Japanese: the gusty surging of a Gil Evans arrangement heard through the densely woven fabric of a bamboo screen.

The same ambiguity also informed, though somewhat less delicately, Miki's *Concerto Requiem* for 20-string koto and ten instruments: an elaborate, bittersweet polyphony unfolding to a solemn rhythmic tread, teeming with resonances of western romantic music (and not a few of western pop). The very combinations of timbres were, to western ears, remarkable; but more remarkable still was the way in which the music constantly threatened to slide, but with unusual sensitivity never actually slid, into western kitsch.

The other two new works of the programme were less intriguing, largely perhaps because their manner was more predictable and familiar. *Ten Nights' Dreams* by Ryohei Hirose was an unfocused, melodramatic jam-session for eight players and percussion which sounded (and to some extent presumably was) more of a free improvisation than a notated score. And Katsutoshi Nagasawa's *Ode to Spring* for shakuhachi and koto was an unashamedly wistful, thoroughly diatonic and tonal Debussyesque essay for two instruments which are essentially neither of those things (and which would have sounded just as well, and possibly more convincing, on *guitar and flute*).

Most complete in themselves, and directly evocative, were two short "reinterpretations" of traditional pieces: a short solo for shakuhachi (that Japanese bamboo flute which is far more beautiful and more versatile of sonority than the western flute, and one of the most magical instruments ever invented), and a *Renju* for biwa (clangorous lute) and kotsuzumi (little double-ended drum) — unearthly duo of two monodies, irreconcilable, together alone.

Odeon Hammersmith

Cliff Richard

by ANTONY THORNCROFT

Cliff Richard is packing the Hammersmith Odeon this week with his concerts for heathens, as opposed to his annual gospel tour, and quite a carnival it is too. The first half is fairly sedate, with extensive dips into his latest album, *Wired For Sound*, but after the interval Cliff effortlessly asserts his undisputed dominance as King of British Rock an' Roll with an exciting re-creation of the music of 20 years ago and more when the devil definitely had all the best tunes.

It was an attractive evening, a must for anyone remotely interested in the modern world. The first night experience was a pop concert that started on the dot and although some of the recent songs are bland to the point of banality there are one or two, such as "Wired for Sound," which maintain the Richard standard.

Apart from the music and the band, nine-strong dressed in white, and playing appropriately like angels, there is Cliff's niceness. He gracefully accepts all the roses thrust at him and smiles for a thousand camera flashes. He even has a passable line in chat and by the time he got round to singing the fine "Miss You Nights" the occasion was yet another triumph.

But it is the second half which really shows off the manikin talents. The band reappears as early '60s rockers and Cliff Richard himself rediscovers the guitar in a scrap book of seme seminal rock, with cover versions of Elvis and the Everleys, Jerry Lee and Cliff himself. He may no longer pout when he sings "Move It" but at least from Row X there is nothing embarrassing about a 41-year-old millionaire jerking and jiving.

In fact, it all looks and sounds spot on. Anyone can unearth early rock standards but no-one can perform them with more justification and more affection. And as the girls rush the stage and the star sparkles there is an extraordinary sense of stability and reassurance. It must be some kind of miracle which keeps Cliff Richard beyond the power of carping critics, the perpetual purifier of rock music.

Chaucer and Van Dam Galleries

Collecting in the 18th century

by BRIONY LLEWELLYN

One of the most striking aspects of collecting in the 18th century was its diversity. The rationale of present-day specialist collections, confined to a small area of the fine or decorative arts, would have been inconceivable to most 18th century connoisseurs. Their yardstick was not "importance," rarity or provenance, but the antique—usually that of classical Greece and Rome.

Collectors sought after classical sculpture and precious objects—gems and jewellery—and where these were not available, good copies were highly valued. Paintings and drawings by the revered masters of the 16th and 17th centuries—Raphael, Michaelangelo, and the Venetian and Bolognese artists—who had been inspired by classical art, were also in demand, as were landscapes which incorporated classical remains.

At the Chaucer and Van Dam Galleries in Pimlico Road, until December 18, are paintings, drawings, books, sculpture and antique jewellery representing the scope of a typical 18th century collection. Among the oils are several Dutch-Italianate landscapes, indicating their popularity in the 18th century—an exceptionally fine Poelenburgh, a Lingelback, a Schellinks and a de Heusch, all using Roman architecture as a dominant motif. The numerous drawings, mainly by Italian and French artists, include a series of studies by the Florentine, *seicento* artist, Volterrano; but the majority are by 18th century draughtsmen, many of whom were employed on decorative schemes for palaces and houses throughout Europe: Cipriani and Mannocchi contributed to Robert Adam's interiors, Galeotti decorated palaces in northern Italy and de Marchis was patronised by members of the Albani family.

Nowadays, sculpture is less often collected than paintings and drawings. But in the 18th century many leading sculptors, including Carlo Albacini, whose bust of Alexander the Great is in the exhibition, were kept busy by commissions to restore and copy classical prototypes, so great was the vogue for the antique. The Roman, 2nd century AD, bust of Faustina Minor, wife of Marcus Aurelius, would have been at a premium.

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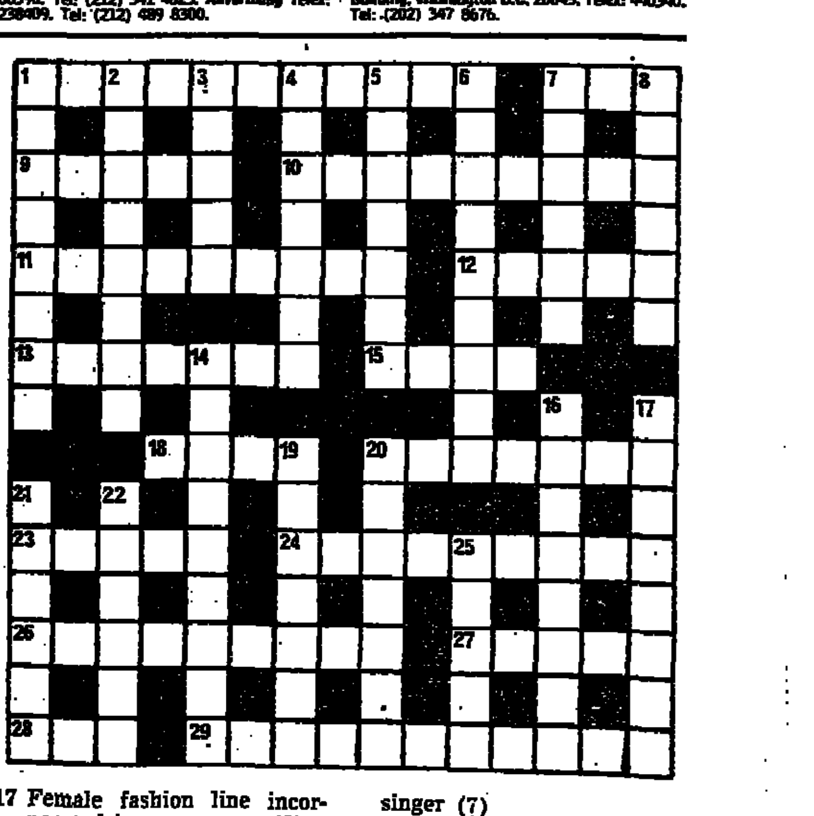
F.T. CROSSWORD PUZZLE No. 4,741



ACROSS

1 Falsifies credit, but it's a mere nothing (11)
7 & 28 Look at article to boil (6)
9 Wheat to make some of *them merry* (5)
10 Use apparatus (9)
11 Write label attached to article for sale in five languages (9)
12 Legally preclude snuff from the east (5)
13 Inspired preacher audibly making a gain (7)
15 Choose a team (4)
18 Trim pole in turf (4)
20 Endless conveyor for plant (7)
23 Room at the top in Greek capital (5)
24 Inconstant person on camel he re-ordered (9)
26 Hide a type of quartz for a miser (9)
27 Learner in team is to move furtively (5)
28 See 7 Across
29 Heliacal network the boxer tries to strike (5, 6)

DOWN

1 Liquid supplier is to nourish smoker (4-4)
2 Control party favourite (8)
3 Learn about the home of the Hydra (5)
4 *Blemish* allowed to become red (7)
5 "Time's up" could possibly be an incentive (7)
6 Would one have to be keen to be balanced on it? (5-4)
7 A tense arrangement for a legislative body (6)
8 Free from excuse (6)
14 Deliver blows in shackles (9)
16 Add nine for a supplement (8)
17 Female fashion line incorporated in newspapers (8)
19 Credit 1 put into business transaction produces disparagement (7)
20 Pipe to be played for a singer (7)
21 A hound to crop out (6)
22 One way to travel is to walk (6)
25 Move slowly left for art supporter (5)

Solution to Puzzle No. 4,740

I	N	F	O	R	M	A	L		S	P	O	N	G	E
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Friday December 4 1981

Don't write off Europe

"ECONOMIC MALAISE sweeping through Europe . . . the ties that bind the Continent together have begun to disintegrate . . . polarisation between left and right occurring at breakneck speed . . . European Community will become increasingly irrelevant as internal protectionism spreads . . . highly centralised unions wield enormous power . . . the future of European autos is at stake . . . Europeans feel insecure and out of control over their own destinies."

These comments come from a lengthy analysis of Europe published in the current issue of the respected U.S. magazine, Business Week. The gist of the article is that Europe is sinking into a political and economic mire which is contributing to neutralism and anti-Americanism and thus threatening the foundations of the Atlantic Alliance.

False perceptions

The article seems to us to be exaggerated and even dangerous, because it will confirm and deepen the false perceptions about Europe held by Americans, especially those Californians and South Westerners who are now dominant in Washington.

What are the facts? Europe, like the U.S., is going through a difficult process of adjustment to changed economic circumstances, aggravated by the world recession and by intense competition from Japan and the less developed countries. The experience is more painful for Europe because welfare state spending has been allowed to run too far ahead of the ability to pay for it.

Bringing this expenditure under control, and putting an end to wage indexation and other inflationary devices, is bound to provoke fierce political controversy. But what is encouraging is that in most of Europe the need for adjustment is not only recognised, but being acted upon. Steering Europe through this period will require political leadership of a high order, but why should it be assumed in advance that the necessary leadership will not be forthcoming?

As for industrial competitiveness, it is worth pointing out that the car makers of Detroit have not been able to compete on world markets for years, partly because of excessive labour costs; why should they be better placed to resist the Japanese than Daimler-Benz or Renault?

The Americans, as well as the Europeans, have a serious problem of declining competitiveness and no doubts they will adjust to it in their own way. But protectionism is not confined to Europe; nor for that matter is "Japanisation" (technical tie-ups with Japanese companies) which Business Week regards as a sign of Europe's industrial weakness.

"The political centre seems to be petering out," says Business Week. Did the authors notice the result at the Crosby by-election? It is just possible to construct a scenario which will put Mr Tony Benn in Downing Street after the next election but one, but it is hardly a prospect which should keep Americans awake at nights. The election of President Mitterrand in France does pose dangers for Europe, but it is far too early to say that the experiment will end in disaster or that France is about to abandon free trade. (The Americans should start worrying when M Jacques Delors ceases to be Minister for the Economy.)

The European Community is not exactly steaming ahead to new triumphs but it is certainly not falling apart. Of course it is not as integrated financially and economically as the U.S., but it has come a long way in 25 years; internal protectionism, though there is still too much of it, has been kept pretty well under control in the present recession. The European Monetary System is working and could even grow in importance if the UK joins. The moves towards political co-operation may not be earth-shattering, but they are not negligible either.

Discord

The Business Week article is right to underline the potential for discord between Europe and an assertive, nationalistic U.S. administration which is far less "Eurocentric" than its predecessors. There are aspects of Europe which must be deeply disturbing to the Americans; the reverse is also true. The next two or three years will be critical for the internal cohesion of Europe and for the Atlantic Alliance. It is all the more important that both sides should have a clear understanding of each other's problems, based on a dispassionate analysis of what is actually happening.

South Africa and its hijackers

THE DECISION by South Africa to release 39 of the 44 mercenaries involved in the recent attempted coup in the Seychelles, and in the subsequent hijacking of a civilian aircraft, is both extraordinary and disturbing.

It is likely to fuel the suspicions of those who believe the South African government may have had a direct hand in the bungled operation. It is also likely to expose South Africa to the threat of international retaliation for failing to repatriate or prosecute the hijackers. It could embarrass the U.S. government in its current rapprochement with the Pretoria regime.

The U.S. and French governments have already expressed their concern, and announced they are consulting their Western partners on a possible response. The British Foreign Office says it is "urgently seeking the facts."

Refusal

Earlier this week, the British, French and West German governments formally served notice on Afghanistan of the cancellation of air links, because of that country's refusal to take action against the hijackers of a Pakistani airliner. Many will now argue that South Africa is committing the same offence.

The South African decision to charge only five of the hijackers, who seized an Air India aircraft to flee the Indian Ocean island after their attempted coup was thwarted, was taken at a full Cabinet meeting. It shows a startling and apparently deliberate disregard for international opinion. But the Cabinet must have made the judgment that the international backlash was less of a threat than the embarrassment of bringing the entire group to court, combined with the domestic backlash at the prospect of jailing men regarded as local heroes.

It was obvious from the start that the hijackers' return to South Africa would cause discomfort to the government there, including as they did, a large proportion of South Africans and former Rhodesian soldiers. But the kid-glove treatment they have been accorded contrasts sharply with the official South African statements on terrorism and hijacking.

Mr Hendrick Schoeman, the Minister of Transport, introduced tough new anti-hijack regulations earlier this year in parliament in Cape Town, saying: "In some countries—Cuba for example — international regulations are disregarded, whereas we regard it as our duty to implement them." Yet Mr Louise Le Grange, Mr Schoeman's colleague as Minister of Police, told critics yesterday: "You tell me what laws they broke in South Africa. They only shot ,out some windows and ran around the bush."

The U.S. State Department pointed out yesterday that South Africa is a signatory to the Hague Convention, which obliges it to prosecute or repatriate aircraft hijackers.

The case is particularly sensitive because it involves mercenaries hired to overthrow an established government — although, in the case of President Albert Rene of the Seychelles, it is a government which itself came to power by a coup.

Given their own outspoken stand against international terrorism, Western countries must now urge South Africa to bring all the men involved to court. Those countries which still have close ties with South Africa—such as Britain, the U.S., France and West Germany—will be under pressure to stand by their declarations in Bonn and Ottawa and cut air links with any state which fails to act vigorously against hijackers.

Profitable

Rightly or wrongly, because this case involves South Africa, that pressure will be all the greater. Denying landing rights to South African Airways, the national carrier, has already been widely mooted as an effective sanction in the campaign to force changes in the country's racial apartheid policies.

Obviously, cutting such links would be far more drastic than the action being threatened against Afghanistan. The routes to Johannesburg from Europe and the U.S. are well used and highly profitable.

Yet the threat of hijacking and terrorism presents such a danger to international order that the strongest stand must be taken. That is what has given the story of an absurd and bungled coup in a tiny Indian Ocean island a disproportionate importance.

POLITICS TODAY

Sir Geoffrey leaves it open

By Malcolm Rutherford

Ashley Ashwood

Mrs Williams arrives at Westminster in time for the SDP's parliamentary manoeuvres

WHAT Sir Geoffrey Howe, the Chancellor of the Exchequer, presented to the House of Commons in his Financial Statement on Wednesday was half a budget. It was the spending side.

Economically, the effects are likely to be—and certainly are intended to be—broadly neutral. Public expenditure in 1982-83 is expected to run at about the same level as in the current year, a certain allowance having been made for inflation.

The point was well taken by the markets. At the end of the day the FT 30 share index, whatever it has done since, was up 0.2, equivalent to the faintest movement of an eyebrow in political terms.

The fiscal decisions and the borrowing decisions are still to come, and will not be known until we have the other half of the budget—saying how it will be financed—in the spring.

So what Sir Geoffrey has done, in effect, is to play for time. Judgements on whether to raise tax or to cut it and, either way, which taxes, are being delayed as long as possible until we know more about the economic climate.

This approach can be interpreted as being either wise or risky, possibly a mixture of the two. It is wise in the sense that there is no need to take decisions before you have to, and without adequate information. It is risky in the sense that if Sir Geoffrey has got it wrong and greater evidence of the gradual economic recovery that he has forecast is not forthcoming in the next few months, he will be in terrible trouble with his party and the Conservatives will be, or at least perceive themselves to be, in terrible trouble in the country.

The spring budget is even more important in political terms than economic, though of course the two aspects have to be taken together. It will take place within a maximum of about two years before the next genral election. It will go some way to setting the course on which the Conservatives want to fight.

It will also take place shortly before the local elections in May in which the Social Democratic-Liberal Alliance is expected to do extraordinarily well. Many Tory MPs will be taking their bearings, even more than they are doing now, on whether the party can win a general election on the basis of its existing economic policies.

Suddenly there is a great deal of common ground

Yet the decision to play for time has something to be said for it. For it is not only the economic climate that is uncertain; it is also the political.

Some, perhaps all, Cabinet Ministers now believe that the main opposition to the Government no longer comes from the Labour Party, but from the Social Democrats and the Alliance. Mr Francis Pym, the Leader of the House of Commons, went public on it after Mrs Shirley Williams's victory in the Crosby by-election last week. Sir Geoffrey, among others, agrees. In my view, they are right.

If that is so, and the Labour Party is out as well as down, there has been a fundamental change in British politics. There has also been a fundamental change in the political and economic debate. Suddenly there is a great deal of common ground.

The Social Democrats have not yet declared their policies in any detail, and no doubt that is one of the reasons why they have been drawing so much support: there is very little, specifically for anyone to be against. But we know sufficient about the broad policy outlines to conclude that the SDP and many Tories are talking roughly the same language.

It is no longer an argument about whether to nationalise, or denationalise. There is beginning to be a return to political consensus. There may be disagreements about the pace of change, or about the size of the public sector borrowing requirement or the level of public investment, but broadly speaking, the SDP and the Tories are moving in the same direction.

To be very slightly cynical, the SDP would like the Tories to do all the politically difficult things, such as curbing the power of the trades unions and controlling public expenditure, and to incur enough electoral unpopularity in the process to hand the election to the new Alliance. The SDP, in short, wants the Tories to do the dirty work.

Another fundamental change may be on the way. If the thesis about the decline of the Labour Party is correct, sooner or later the unions must draw their own conclusions. At some stage, they will cease to tie their fortunes to a dying party. Many of their members have already done so. It is unlikely that all of their leaders can be all that far behind.

That is not to suggest that the unions will disaffiliate themselves en bloc from the Labour Party and align with the SDP instead, still less with the Conservatives. But it does seem that the unions will become less identified with a particular political movement. They may become apolitical. Such a development would be entirely in tune with the general social changes which have led to the present political realignment.

"To be very slightly cynical, the SDP would like the Tories to incur enough unpopularity to hand the election to the new Alliance"

Both the Tories and the SDP now need to look more closely at the way the unions and their members are moving. The age when the unions were a political force in their own right may be over.

It is up to the Tories whether they take advantage of the new situation. One view is that they have been reduced to the role of St John the Baptist preparing the way for the Messiah, namely the SDP. But another view is that they are still just about winning the intellectual argument: for example, on the need to limit state intervention, to decentralise and to give a greater range of choice to individuals.

On that view, the SDP is the Tories' convert. It is a question of who can put the case better as the election approaches.

To come back to the budget, this week's and next spring's. The Chancellor has not yet reached the stage of Lord Carrington, the Foreign Secretary, or Mr Edward Heath, the former leader, of referring to the Tory Party as "they" rather than "we," but he does sound mildly fed up with some of his internal critics, many of them urging him to spend the same money several times over and to let the borrowing requirement go hanged.

What he says he is doing is a mixture of what he believes to be right and what is possible. In broad terms, the combination of spending, taxing and borrowing would not be much different under any other British Government, or at least not for long: the constraints are too great. But that is the point he has not got across, perhaps especially to his own party.

There is still no certainty that there will be tax cuts in the spring. Nothing in the Financial Statement precludes the possibility of an increase, just as there was in the last budget.

Yet on the assumption that cuts will come, there is already an argument about the form they should take. Sir Geoffrey's first preference is for cuts that might be politically unpopular on the grounds that they might seem to favour only a few people who are probably well enough off in the first place: for example, concerning investment income. (The Tories are still congratulating themselves that they cut the top rate of income tax in their first year of office: they would never have dared to have done it afterwards.)

Still, that sort of cut would cost the Exchequer very little. There could be room for more. The argument is whether the benefits should go to individuals in the shape of a few pence off direct tax or to the corporate sector.

A third option, that there should be a cut in VAT, which would have an early effect on the retail price index, is not being seriously considered, at least at this stage. The Chancellor remains firmly attached to the 15 per cent VAT rate, which he himself introduced.

Sir Geoffrey is a corporate man. He is in favour of any major tax cuts going to help industry. A reduction in the national insurance contribution surcharge is the obvious example. In this he has the support of Mr Pym: the idea would be some sort of investment package.

However, there are other members of the Cabinet, in particular the newer recruits, who would prefer cuts in income-tax. That would be more in line with the original Thatcherism of offering incentives to the individual.

Thus, if there are going to be tax cuts in the spring budget, it still does not mean that there will be automatically Cabinet unity.

There may also be an argument before the spring about British membership of the European Monetary System. Both Mrs Thatcher and the Chancellor continue to express scepticism. But there has been some movement and there might have been even more if Mr Heath were not such an ardent supporter.

The fact is that membership—or effectively tying the £ to the D-Mark, as Sir Geoffrey describes it—is now seen as a possible lifeline for the Government's economic policy. Witness the Prime Minister's remarks in the House of Commons on Monday when she said that the matter would be discussed at the next meeting of the European Council in March. The EMS then comes up for review after three years of existence.

Oddly enough, the emergence of the Social Democrats could again come to Government's rescue. The SDP's support makes EMS respectable. The Tories would surely not like to be seen as the party of little Englanders. It is another illustration of how the ground of the political debate has shifted.

For the rest, however, we shall have to wait and see. The Chancellor remains remarkably cautious, chipping away at institutional changes, convinced that he is on the right course whatever may have happened to the timetable. He still has great hopes of producing a dialogue between Government, industry and unions in the National Economic Development Council (Neddy), even though the unions hardly ever admit to any progress in public.

One sentence in his statement on Wednesday gave Sir Geoffrey particular pleasure, though you would never have guessed from hearing him. It concerned motorway and trunk roads programmes and it ran: "There has, however, been a substantial fall in tender prices." What it means is that existing programmes can go on, but at lower cost.

There is already argument on the form of tax cuts

That is the sort of change which he would like to see happen all over the economy. But it is painfully slow and it has not yet even begun to apply to defence where the Treasury has been obliged to hand out another £1bn.

It is an open question whether the pace will quicken enough to enable the Tories to believe that they have a chance of winning an election on present economic policies.

Men & Matters

England's sales pitch

A bit too much like a football supporter for comfort, someone suggested yesterday as the Football Association introduced the barrel-chested, bare-toothed Bulldog Bobby mascot that will lead the World Cup's commercial side.

"He may look fierce, but he's a very gentle animal," said FA secretary Ted Croker—in keeping with a "restrained and dignified" marketing campaign which will bring in a conservative £750,000 by the time the England team arrive in Spain next summer.

England's manager Ron Greenwood and the lads rather let the commercial side down by their last-match qualification. The FA has missed the Christmas rush. "Cuddly bulldogs would have gone down a treat," sighed one salesman regretting the lost opportunities.

But the FA is moving as fast as it can to make up lost time and money. It picked McLaren Purvis Palmer — who have worked for Ford, Thorn-EMI and Rank Xerox—from a squad of competing agencies last week to run its campaign.

Virtually every English manufacturer of consumer goods from cars to candy bars is being invited to sell its merchandise under the sign of the bulldog logo and with the FA's approval.

Admiral, which markets the England team strip, is producing a wide range of ready-to-wear kits. Some major companies will have specially tailored advertising programmes.

Talks about terms begin today with a queue of manufacturers all eager to join the campaign with jigsaws, table napkins, beer mats . . .

Beer mats? "Promotions will be strictly controlled," said Croker. "We are not going to get involved with cigarettes or hard drink."

But this will still allow the England players' pool—formed to share the proceeds of personal promotions three years ago—to fulfil its contract with brewers Courage.

Harry Swales, the bewhiskered business partner of Kevin Keegan and the pool's agent, says that the link has been tastefully handled so far and sees no reason why it should not continue.

Swales says the players will co-operate in an orderly, dignified campaign. "I cannot guess how much they will share," he says. "But it will not make them rich men. They are not greedy. Much of what they do is for charities."

The FA's own fees and royalties, said Croker, will go to nourish the sport's "grass roots." Literally in some cases. The FA is worried that many impecunious local authories may soon begin to cut the ground from under its feet by selling their football pitches to builders.

"Put the kettle on, I think we've got an agreement".

Rugby union

Though England's footballers may clean up, their less fortunate brethren in other sports and other regions feel themselves so hard done by that they are joining unions.

The white-collar union Apex, which boasts former Sports Minister, Dennis Howell as its president, has signed up some 300 Rugby League players and formed a special branch under the chairmanship of Gary Hetherington,

Brian Hayward, Apex's rugby-loving north-east area secretary who kicked off with the idea, says wages for the mainly part-time league players can be as low as £70 a game—and that's if they win. The unfortunate players get around £25 if they lose, and nothing if they're sick. "That's something we'll be looking at with the Rugby League," says Hayward.

Apex are not, however, the first in the field, (puns will out). The General and Municipal Workers Union signed up the Scottish Professional Footballers' Association around six years ago, and now bargain for conditions on behalf of some 400 Scots players.

Who will get the pick of the bunch—the Professional Footballers Association, which bargains for more than 2,500 English league players? Most unions would give their general secretary's right arm for such a merger—but are unlikely to get the chance. The PFA regards itself as highly successful and is suffering from no financial worries.

Opening key

Marks not music, it seems, bring out the best in East Germany's dour border guards.

Maestro Herbert von Karajan and the entire Berlin Philharmonic turned up at the border the other day on their way to a concert in Leipzig's new symphony hall. For 70 minutes, the guards inspected every minim in the orchestra's baggage while von Karajan beat himself into a thunderous rage over the delay. "The only border on eath that takes longer than two minutes to cross," he fumed.

Not if you are arriving with welcome hard currency, though. Three hundred of the Berlin Phil's fans who had bought tickets in West Germany for the Leipzig concert bussed up to the border a little later and were waved straight through.

Direct answer

An intrepid balloonist on a long-distance flight found himself losing height over unfamiliar countryside. Eventually, he came gently down to rest in the middle of a field. Where could he be?

Fortunately, just at that moment, along came a man walking his dog. "Excuse me," called the balloonist, "could you possibly tell me where I am?" The passer-by stopped and thought for a while. "You're in a balloon in the middle of a field," he eventually replied in a cautious tone. The balloonist was about to give vent to his irritation when a sudden thought struck him. "You are not," he asked the stranger, "by any chance an accountant?" "How did you know that?" came the reply. "Because," explained the balloonist, "everything which you say is perfectly true, but is of no damn use to anybody."

Observer

THE CISKEI HOMELAND

Pretoria pulls the strings

By J. D. F. Jones in King William's Town

THE MEMBERS' Dining Room of the House of Assembly in Cape Town is dominated by a very large painting. It is a portrait of the South African Cabinet in session in the 1950s: Dr Verwoerd stands before a map and is evidently describing his policy of breaking up the Republic into separate and independent tribal homelands. For more than 20 years the labours of the (white) MPs who lunch below have been overshadowed by the implementation of that policy.

Today the Ciskei joins the ranks of three other Bantustans (or "nation-states" as they are more politely called) which have completed the process to "independence": Transkei, Bophuthatswana and Venda. There is now going to be a pause because the other six homelands have all said they do not intend to accept independence from Pretoria on the existing terms, and the two remainig large units (Kwazulu and Lebowa) are particularly firm about this. So "separate development" has completed its first stage, and today's celebrations on a hilltop in one of Africa's worst rural slums can be seen as the epitaph of Dr Verwoered, who was assassinated in that same Assembly in 1966.

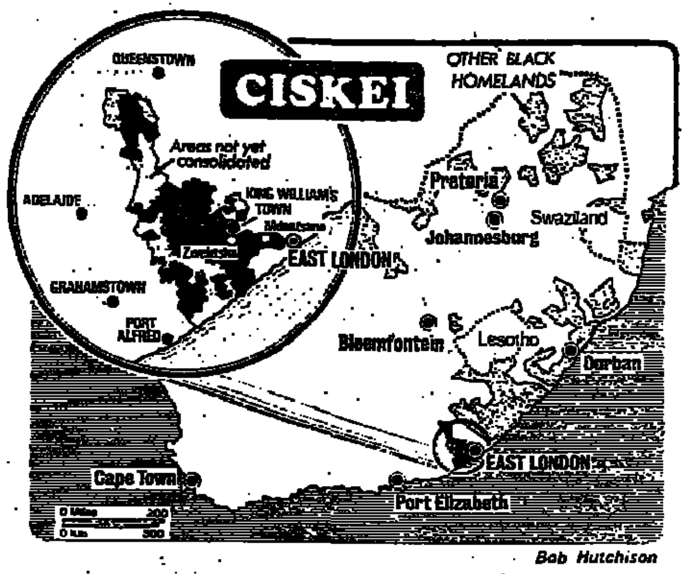
Dr Verwoerd was perfectly open about his motivations. White South Africa could only survive, he argued, if the black majority could be split into ethnic fragments. "It is a form of fragmentation which we would not have liked if we were able to avoid it," he told Parliament in 1961. "In the light of the pressure being exerted on South Africa there is no doubt that eventually this will have to be done, thereby buying for the white man his freedom and his right to retain domination in what is his country, settled for him by his forefathers."

Most of it is land the whites don't want anyway

Ever since then South Africa has been pilloried for this policy, which allocates 13 per cent of the total land to 87 per cent of the population—and most of it is the land that the whites don't particularly want anyway, like the Ciskei. No other government in the world agrees that these "nation-states" are meaningfully independent, and therefore the Ciskei cannot expect diplomatic recognition from anyone outside the Republic's frontiers. And not even all the other homelands are here for the handover of sovereignty.

Ciskei will be a poverty-ridden ethnic nation, rather smaller than Wales, financially and economically dependent on the white South Africans, its administration largely dependent on civil servants seconded from Pretoria: in a word, it will be rather a good example of a homeland.

CHIEF LENNOX SEBE
utterly outmanoeuvred



Today's festivities are taking place in a new capital, Bisho, which is little more than a stadium, a half-built parliament that at present looks like a garage, a field packed with a thousand army tents, and a pile of earthworks.

The reason is that until April this year the Ciskeians understood that they were to take over the sleepy white town of King William's Town as their capital. But then the white population objected, the South African Cabinet lost its nerve in the run-up to a national election and changed its mind, and the result is that "King," the only proper town in the Ciskei, has been taken back from the bitterly disappointed Ciskeians. There is nothing they can do about it. Similarly they have denied the industrial township of Berlin and the "corridor" of white farmland that separates them from the Transkei. The economic focal point of the region, the port of East London, was never on offer.

On the other hand, the Ciskeians will do better than most other homelands in one respect: at least they are going to have a single chunk of territory, though this will not be true until "consolidation" (ie, the purchase of white farms) is complete, officially by December 1982. Ciskei will then be a poverty-ridden ethnic nation, rather smaller than Wales, financially utterly dependent on the white Pretoria Government its economy similarly dependent on the labour it exports to the white economy, its administration largely dependent on civil servants *seconded from Pretoria*: in a word, it will be a rather good example of a Homeland.

For instance, its rulers will be authoritarian traditionalists, a majority of whose parliament will be non-elected, committed to Pretoria despite their irritation with the white government policies. The new president, Chief Lennox Sebe, appears to have been so intoxicated by the prospects of independence that — observers agree — he was utterly outmanoeuvred by South African officials over the terms.

"Anybody who says that our independence will be the same as the independence of the others is a clown, to put it in polite language," he had boasted, but the reality of the legislation turns out to be indistiguishable. In particular he has failed to make good his insistence that Ciskeians would not lose their South African nationality. The result is that, from today, 2.1m blacks will cease to be citizens of the South African Republic — although 1.4m of them actually live inside white South Africa, outside the Ciskei.

Chief Sebe's right-hand man is his brother, the picturesque and alarming Major-General Charles Sebe, who learned his trade with the South African secret police and becomes Director General for State Security. General Sebe detests Communists and trade unionists, and will be in the front line of the coming battles with South *Africa's black opposition movement.*

Men like the Sebes are typical of Pretoria's chosen homeland leaders (with the very important exception of Chief Gatsha Buthelezi in Kwazulu). Also typical is the economic underdevelopment of the Ciskei. Indeed, it is in a worse plight than many of the other homelands because of its overcrowding, thanks largely to the fact that it has been used as a dumping ground for "surplus" blacks from the white areas whose resettlement in their alleged tribal homeland is a central feature of South Africa today.

The figures vary depending on the source, but of the present population *in situ* of 666,000 one church analysis estimates that 365,000 people have been resettled in the Ciskei since 1958, while the respected Quail Commission (which recommended against independence except with major pre-conditions) suggested that another 323,000 "Ciskeians" were liable to follow them.

These are figures that are impossible to comprehend unless one witnesses the conditions in the resettlement camps, or, for that matter, in the average village in the so-called urban areas. Academic studies estimate that 50 per cent of the population is living below the Poverty Datum level. The average per capita income is Rand 212 (£112) and of this 65 per cent comes from migrant earnings. Only 15 per cent of the country is suitable for dryland cultivation.

Several years ago the prime minister, Mr P. W. Botha, launched the idea of a "Constellation of States" of Southern Africa. The idea was that some of the black states in a region dominated by the South African economy would be persuaded to join a structure which would happen to include the (otherwise international blackballed) homeland nation-states. The proposal has fallen flat on its face and Mr Botha has quietly dropped the word "constellation" and switched the emphasis to a "confederation" which would clearly not extend north beyond the Limpopo.

Membership of this body would, it seems, bring benefits (for example access to a regional development bank) and the impression has been put around that only those homeland governments which opt for "independence" will be eligible to join the confederation. On the other hand, there is a parallel rethink of the failed decentralisation policy out of which a new emphasis on regional planning has emerged—in other words, a willingness to plan cross-borders in a way that significantly amends the original concepts of Bantustan development.

Although the Ciskei does not have either East London or King, it does contain the second *largest black township in South Africa*—Mdantsane, where East London keeps its black labour force a careful 15 km from the white city. Mdantsane (which is a neat and unscruffy place, with plenty of green spaces, less depressing than Johannesburg's Soweto) houses the workers and their new union leaders who have jobs in the white area but have to return home every night—to the Ciskei, whose new independent leaders are the sworn enemy of the trade union movement.

The Sebes argue that the unionists meddle in politics, and the unionists admit that it is hard to draw the line. There have already been bloody conflicts in Mdansante and many detentions under Gen Sebe's Proclamation R252. And last month three of the East London unions called for a campaign against Ciskeian independence. The result was that a week ago the latest South African Security Police round-up included the top leaders of all three unions.

Round-up included the top leaders of all three unions

The intrusion of South African national politics into the affairs of Ciskei seems inevitable. It was symbolised by another celebration just outside King William's Town this week—though this time, strangely, it was a funeral. Fifteen thousand people, many of them wearing the colours of the banned African National Congress, gathered openly last weekend in the village of Rayi, 5 km from here. They buried Griffiths Mxenge, a Durban lawyer and ex-political prisoner, who had been brutally murdered by unknown assassins. The speeches, by black leaders like Dr Motlana and Bishop Tutu, were uncompromisingly defiant.

Lombard

Gold: Mr Public knows best

By David Marsh

TOWARDS the end of last month, when the gold price briefly sank to under $400 per ounce, London dealers in the yellow metal reported that what is known in the trade as a "queue situation" was developing on the bullion market for the first time for nearly two years.

Members of the public were lining up outside bullion brokers' City offices to buy Krugerrands and other chunks of shining metal.

The same thing was happening in Japan, where the fall in the gold price and the rise in the yen against the dollar had prompted long queues of bargain-hungry purchasers outside Tokyo bullion shops.

Sellers

The last time this had happened—in both countries—was in January 1980, when the gold price hit its short-lived peak of $850 per ounce. Then, the pavements outside metal dealers were littered with throngs of *sellers*. People were queuing up to cash in their holdings of gold and silver in the form of everything from coins to candlesticks.

It is worth dwelling on the message behind the queues. If $400 per ounce indeed turns out to be close to the bottom of the current gold market cycle—and of course that is still far from certain—then the reaction of the man in the street will again have proved a far better leading indicator of gold price trends than the behaviour of central banks, which during the last two years have got their gold timing decisions spectacularly wrong.

In contrast to the prescience of the public, the world's central bankers, faced with what certainly seemed like a highly over-valued price, last year came to the decision either to hold on to their stocks or — most disastrously of all — to build up their holdings.

The Central Bank of Indonesia—a poor country which although a member of Opec still relies on an annual $2bn in aid flows and is now running a current account deficit—took the truly historic decision to spend over $1bn by building up its gold reserves last year by 66 tonnes.

Wiser counsels prevailed among the Indonesian people at large. The dispassionate statistics of Consolidated Gold Fields show that the country's private sector sold gold last year amounting to almost the same total—55 tonnes.

Sky-high

It was the same story elsewhere. All over the Middle East and South East Asia, the profit-taking peasantry were pouring into precious metal markets and bazaars to dispose of gold and silver at sky-high prices. Developing country central banks and government agencies, particularly in the Arab world, appear to have been piling up gold holdings at prices which now appear nonsensically high.

In Europe, the big gold-owning central banks, led by the Germans and French, decided to sit tight and do nothing—foresaking a golden opportunity to sell part of their stocks and make money for the taxpayers.

The state banks which run the gold sales policies of South Africa and the Soviet Union did no better. They held back stocks from the market last year in the hope of keeping prices high—and are now having to sell more at lower prices to make up for the misjudgment.

Courage

Only Canada had the courage of its own convictions to sell gold at a highly profitable price. The U.S. used to have a policy of selling off gold holdings—but stopped in November 1979, the very moment at which it would have made sense to *start* offloading.

Of course, as a representative of one of the smoother American banks was saying the other day, hindsight is always 20:20.

But the 1980-81 catalogue of mistakes and missed opportunities should encourage any central bank with an interest in gold dealing to start a new recruitment drive—by posting headhunters on the pavements of Hatton Garden.

Letters to the Editor

Service charges on credit cards at petrol stations

From the Director General, Motor Agents Association.

Sir,—The garage trade is the single greatest source of revenue to the Barclaycard and Access credit card companies. Yet while the Monopolies and Mergers Commission expressed some apprehension that their profits might become excessive, garages are facing their tightest profits squeeze ever.

Because of the commission charged by the credit card companies, most garages are forced to make a service charge of around 20p on credit card transactions. Not to do so would mean making a loss.

The reason is the gross profit margin on a gallon of petrol at £1.70 is no more than 6p while Access takes a commission of up to 4.93p (ie 2.9 per cent) leaving the retailer with just over one penny gross profit. Barclaycard take 3.4p (ie 2 per cent).

Both the credit card companies are thus making more out of a gallon of petrol than the retailer who is on the same gross margin as he was in 1975 when petrol was less than half the price it is now.

Up until the Monopolies and Mergers Commission report of September of last year, the credit card companies imposed a no-discrimination clause in their contracts which prevented the retailer from charging credit card customers more than cash customers. The MMC after three years intensive study, strongly urged this no-discrimination clause be made illegal. It deemed it to be against the public interest for it prevented the trader from offering different prices as between credit card users and other customers.

As Mrs Sally Oppenheim, the Minister of Consumer Affairs, accepted the report at the time it was published, petrol retailers felt free to make a service charge to credit card users and the credit card companies had to accept the situation.

If, as an increasing number of Press reports suggest might happen, Mrs Oppenheim, some fifteen months later rejects the MMC's recommendation, then it will have three possible consequences: one, many garages will stop accepting credit cards unless the commission charges are substantially reduced; two, there will be one price for cash and credit card customers, which means in effect the cash customer subsidising the card user's credit; or three, more garages will be squeezed out of business in today's intensely competitive market.

Alan M. Dix,
201 Great Portland St., W.1.

The costs of unemployment

From the President, Royal Institute of British Architects,

Sir,—I was very interested to read Max Wilkinson's Lombard column (December 1) on the costs of unemployment.

This institute, in common with four other organisations in the construction industry, has recently commissioned a report from Cambridge Econometrics which indicates that the public sector borrowing requirement, cost per permanent job created through public expenditure on construction is £2,300 for civil works and £3,400 for public sector housing. These expenditures compare very favourably with other options for stimulating the economy and creating "real" jobs and valuable social assets. As there are 420,000 unemployed workers in the construction and associated industries, our industry accounts for about a sixth of the total costs of unemployment.

Surely it is time that Government recognised the fact that selective planned stimulation of the construction industry is one of the best ways to reduce unemployment at minimal cost to Government borrowing, and at the same time generate confidence and output.

Owen Luder,
66, Portland Place, W1.

A permanent way into Europe through a tunnel

From the Chairman, Channel Tunnel Association.

Sir,—It is interesting to read again (December 1) in the British Steel / EuroRoute scheme. We are not wholly happy with its costing; we have always rated even a moderate bridge scheme at at least five times the cost of a seven-metre tunnel and feel the outlined scheme could cost at least £5bn. Will it be cost effective/economic against the much higher debt servicing and maintenance costs? Is it even feasible to build?

On balance Mr MacGregor is probably right when he says that existing methods would be used but surely not tried on such a scale? We would need permission from every maritime nation in the world. Construction would be in what are often among the roughest seas in the world—so would operation and we know how motorists suffer when using existing smaller bridges in this country when the weather is inclement.

We support the basic British Rail scheme but strongly feel that the only viable Channel link is the seven-metre tunnel which would take lorries roll on/roll off (unless a twin tunnel scheme were resurrected). This would be more economic and energy saving as well as protecting the Kent environment.

The EuroRoute project in its costing alone is more than the economic infrastructure of the country can bear (one of the reasons for cancellation of the more ambitious tunnel scheme in the 1970s) and at best the 'only reason for its choice' as a fixed channel link would be for job creation and construction or for quasi social reasons.

Alan R. Titchener,
210 High Holborn WC1.

Costs and sources of demand

From Mr J. Smith.

Sir,—To cut the cost of labour by cutting employers' national insurance contributions may increase employment if firms pass the reduction on in lower prices. But to cut wages as such will decrease demand as well as costs. As far as the home market is concerned, the net effect will depend on the proportion of wages spent and how much of the reduction goes into lower prices of what is consumed; but the result is likely to be a reduction in employment. The effect on exports would be advantageous to the extent that the cost improvement is not offset by a rise in the exchange rate.

Economists of many persuasions have assumed that labour costs rise as output increases. Hence even if lower real wages are not a cause of higher employment as the neo-classicists maintain, they may be a consequence of it. But this classical assumption is at odds with the facts. Since a high proportion of a firm's staff are required to a large extent irrespective of output, most industries find that any recovery in output does not require a pro rata increase in employment. Unit labour costs tend to decrease, not increase, as output recovers, and the classical assumption does not hold good, nor the consequent argument that real wages will or should fall.

Alternatively, looking at the argument in terms of real resources, a little arithmetic shows that far from a 10 per cent increase in output requiring a cut in real wages, in the sense of take-home pay, if wage earners plus those at present unemployed are to maintain their share of consumption, real take-home pay of those at work would have to go up—even with a significant deterioration in the terms of trade. Is the argument then that an improvement in employment should be associated with a substantial shift in consumption away from wage-earners towards other members of the community?

John Grieve Smith,
17 Brambledown Road,
South Croydon, Surrey.

Young tigers in the unions

From Mr A. Lane

Sir,—Malcolm Rutherford's remark (November 28) that "The young Bevins and the Deakins are all creamed off by the educational system" has been said many times before over the past 20 years—and is as shallow now as in the past. The fact is that neither the 1944 Education Act nor the development of comprehensive schools have deprived the unions of a supply of talent.

The younger generation of full-time officers contains within its ranks a very high proportion of exceptionally able people. Many of them, as companies find to their embarrassment, are superior in ability to graduate managers with whom they deal. Doubters should talk to media labour correspondents and professional industrial relations managers who know better.

A. D. Lane.
Department of Sociology,
University of Liverpool,
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Myrtle Street,
P.O. Box 147,
Liverpool.

Good Relations placing

Good Relations, the public relations group, is coming to the Stock Exchange's Unlisted Securities Market by way of a placing of 950,000 ordinary shares, 28.5 per cent of the enlarged capital, at 61p per share.

The company is forecasting a profit of £250,000 before tax in the current year or 5.03p per share fully taxed on the capital in issue prior to the placing.

Good Relations was launched in 1960 by Mr Anthony Good, its chairman, and is active in consumer, financial, industrial and corporate public relations. Turnover has grown from £588,000 in 1976 to £2.05m last year and £1.47m in the first eight months of 1981. Over the same period, profits before tax rose from £1,000 to £107,000 and £155,000 in the first eight months of the current year.

Prior to 1976, the group's profit record was erratic, Mr Good said, because it made a number of mistakes and had no need as a small, closely held private company to produce significant profits.

The balance sheet at August 31, 1981 shows net tangible assets of £427,000 of which £297,000 are fixed. Cash balances were £264,000 and borrowings stood at £151,000.

The directors intend to recommend net dividends of 2.5p in respect of 1982. The placing is being made by stockbrokers Laurie, Milbank and Co. Dealings begin on December 10.

● **comment**

Like all consulting businesses, Good Relations is entirely dependent on the quality of work done by its professionals and the strength of the relationships they establish with clients. In the public relations sector, it is particularly difficult to build up a loyal clientele, partly because the results of a consultant's work are often intangible and partly because a top consultant is always likely to go off and set up his own business, taking prized clients with him. Through a decentralised management structure and a wide spread of ownership in the business Good Relations seems to be overcoming these problems. It has a strong growth record, though profits were depressed slightly last year by the costs of reorganising and expanding the business, and an impressive client list. Moreover, the fact that most clients pay their fees quarterly in advance gives the management time to react in the event of a cancellation. At 61p, the shares are on a prospective fully taxed p/e of 12 and so should receive a reasonable welcome.

BP turns in £203m for third quarter

THIRD-QUARTER 1981 net income of the **British Petroleum Company** showed a slight fall *from £209m last time to £203m*, although the figure was marginally higher than the previous quarter's £201m.

For the first nine months of this year, net income totalled £799m, compared with £1.08bn for the corresponding period of 1980. In current cost terms, the figures dropped from £467m to £19m.

The group says that when the effects of inflation and the costs of replacing stocks are taken into account, the underlying trend of the results shows a *strong improvement in performance*. On this basis, the second quarter current cost loss of £33m became a profit of £42m.

There was a significant *recovery in oil trading business in* the quarter, although costs were still not fully recovered. Exploration and production activities continued to provide underlying strength to the results.

Oil production in the North Sea and Alaska remained the mainstay of the profit. Output from both was slightly higher than in the second quarter and income grew with the further strengthening of the U.S. dollar.

The general strength of the dollar produced gains from the translation of foreign currency items—mainly U.S. dollar cash holdings and Sohio profits—amounting to *£10m in the* quarter and £70m in the nine months.

Since the end of September, however, sterling has regained *ground against the dollar and a* continuation of this recovery for the rest of the year would lead to some reversal of the nine months' translation gains in the fourth quarter.

Sohio contributed £132m to the third quarter's income and £447m to the nine months result.

Net sales and operating revenue for the nine months rose from £15.2bn to £17.95bn, with the third-quarter figures higher at £6.4bn (£4.8bn). Operating costs totalled £14.62bn (£11.64bn) of which £1.14bn *(£104m) was UK supplementary* petroleum duty and U.S. windfall profit tax.

Nine months' tax took £2.22bn (£2.19bn) and stated earnings *per share*, adjusted for this year's rights issue, were down from 68.3p to 48.4p—third-quarter earnings were 11.9p (13p).

Capital expenditure, excluding acquisitions, amounted to £2.11bn for the nine months and of this £709m was undertaken by Sohio. The majority of the spending was on further development of the group's interests in the North Sea and Alaska, together with an increasing level of worldwide exploration. During the quarter Sohio acquired coal properties from U.S. Steel for $600m.

The group's *share* of the North Sea production averaged 506,000 barrels per day for the quarter, a small increase over the second quarter. Income *improved as a result of the* strength of the dollar against sterling despite the lower level of North Sea reference prices following the reduction in mid-June.

Payments of over £1.8bn for PRT and supplementary petroleum duty were made in the first nine months. High levels of tax continue to delay the development of discoveries in the North Sea.

Income from Sohio's share of Alaskan oil, which averaged 798,000 barrels per day for the quarter, was higher than in the corresponding period of last year due to increases in U.S. domestic crude prices.

Following additional drilling a reappraisal of the group's wholly-owned Magnus field has led to an increase in the estimate of recoverable reserves by approximately 20 per cent to 565m barrels.

Sales of oil products were below the level in the third quarter last year, with a reduction of 11 per cent in Europe reflecting a decline in market demand and selective shedding *of trade. Trading conditions* were, however, more favourable compared with the previous quarter. The group's competitive position improved as market forces encouraged moves towards unified pricing and the group's crude oil supplies were further restructured.

Although crude prices were lower in dollar terms, some of this advantage was not realised because European currencies continued to weaken against the dollar. Margins against the current cost of supplies however recovered in the quarter and have continued to improve since September as the dollar eased.

Further reductions in group stocks were made during the quarter, and implementation of the programme of refinery rationalisation in Europe is continuing. No provision has been made for the cost of refinery *closures*.

Chemicals demand remained at a low level in the first two months of the quarter, but there was some improvement in Europe during September as seasonal restocking and buying *ahead of autumn price increases* took place. Margins remain at unprofitable levels due to the surplus petrochemical and thermoplastic capacity which overhangs the market.

The chemicals result for the quarter outside North America was a loss of £49m compared with a £53m loss in the second quarter.

Minerals made £22m losses for the quarter including an equity-accounted loss for Kennecott of £15m. Trade was affected by depressed prices, particularly for copper and nickel. Excluding Kennecott and before deducting exploration and other write-offs, minerals activities produced a small operating *profit*.

Coal sales for the first nine months amounted to 15m tonnes, marginally below last year as a result of industrial action during the *spring and continuing port* restrictions in Australia. Contract prices and margins in Australia and South Africa improved in the quarter resulting in an operating profit of £5m which brought the cumulative result for the year back to break-even.

SEE LEX

HIGHLIGHTS

Lex examines conditions in the gilt and money markets in the wake of the cut in bank base rates before discussing the results from four major companies. GEC, at the interim stage, *is right up against the top end of market expectations*, thanks largely to strong growth in electronics and in North American markets. Plessey, too, has performed well and pleased the more optimistic analysts. Royal Bank of Scotland, waiting for a Monopolies Commission verdict on the Standard Chartered and Hongkong and Shanghai bids, had an unexpectedly good year and profits have risen 5 per cent. BP is at last cutting some of its current margin losses in European oil products markets although third quarter net income has fallen slightly.

Scapa boost comes from N. America

NORTH AMERICAN companies helped boost pre-tax profits from Scapa Group by £2.63m to £6.82m, and the directors are confident that the results for the year will show a considerable increase. The net interim dividend has been lifted from 2.8p to 3p for the period ending September 30 1981.

However, the directors do not expect the rate of improvement in the first half to be matched by the second six months. *Activity in North America could* be influenced by the current recession, and there is no indication of an upturn in business in the UK and Europe.

The taxable *profit represents* the best half year in the company's history, says the directors, and was achieved on improved sales of £48.93m against £39.59m last time. In the last full year pre-tax profits were £9.28m from sales of £83.61m. The total payment was 5.55p.

Throughout the period, say the directors, the North American companies enjoyed good trading conditions and the results are "extremely satisfactory." Profits in dollar terms before interest and tax rose by about 50 per cent in the first six months compared with last time. These profits have benefited by a further £1m on translation into sterling because of the fall of the pound against the dollar since the beginning of the year.

The directors point out that the *effect of exchange rate fluctuations* on profits for the full year is impossible to forecast.

Profits from other overseas companies continued to improve, whereas the recession in customer industries in the UK and Europe meant that UK activity remained low.

Pre-tax profits were struck after interest payments of £1m compared with £1.13m before. Tax took £3.61m, against £2.15m last time.

After a debit for minorities of £51,000 (£32,000) and an extraordinary debit of £174,000 (£160,000) the attributable profits came out higher at £2.99m against £1.88m in the comparable period. Earnings per share were given as improving from 7.3p to 9.9p. The *group is mainly engaged* in the manufacture and sale of paper-machine clothing, filtration fabrics, pressed felt and a wide range of other specialised textiles *for industrial purposes*.

● **comment**

Scapa's record interim pre-tax profits (up 62.7 per cent) are largely attributable to the performance of its North American companies, whose pre-tax profits doubled in sterling terms. The dollar/sterling rate moved decisively in their favour, and claiming outstanding product performance, they increased their market share. UK operating profits fell by 40 per cent and their share in group profits were more than halved to 10 per cent. There has been great difficulty in raising selling prices, and reorganisation costs of £174,000 were incurred. The company feels that the UK performance has reached the bottom and will improve, but further rationalisation is planned. The interim dividend increased by 7 per cent to 3p and the share price rose 7p to 159p. If the final dividend raised pro rata is maintained the share yields a little over 6 per cent.

Strong second half pick up at Royal Bank of Scotland

AGAINST a background of lower average interest rates and growth in the level of advances, pre-tax profits of **Royal Bank of Scotland Group**, *which is subject* to rival bids from Standard Chartered and Hongkong and Shanghai, picked up strongly in the second half of the year to September 30 1981.

After falling from £59.4m to £49.4m at midway, the result for the 12 months finished 5 per cent higher at £107.9m.

This was achieved after a reduction in the provision for bad and doubtful debt, which was cut by £4.3m to £13.4m despite the continuing difficulties being faced by industry and commerce.

Before an exceptional credit of £27.5m, representing deferred tax no longer required in respect of assets leased to customers, earnings per 25p share fell 3 per cent from 30.7p to 29.7p. After such item they jumped by 36 per cent to 41.9p. The net final dividend is 3p, raising the total payment from 4.9p to 5.4p.

The directors report that the average base rate during the year was 13.3 per cent, against 16.4 per cent for the previous 12 months, while the average margin between base rate and the retail deposit rate widened from 2.1 per cent to 2.7 per cent. The trend away from current accounts to interest bearing deposits has continued, they *add*.

The specific provision for bad and doubtful debt was cut from £14.9m to £10.5m and the general reduced from £3.3m to £2.6m. *After these and a change in* accounting policy—which increased the 1979-80 figure by £2.4m—group operating profits rose from £104.1m to £113m.

Share of associates added a further £13.1m (£13.8m) but interest on subordinate loans took £18.2m (£15.1m). Following tax of £40.9m (£34.4m), the exceptional item, preference dividends of £0.1m (same) and extraordinary debits totalling £16.1m (£4.5m credits), the attributable balance showed a 7 per cent advance at £73.3m. From this, ordinary dividends took £12.2m (£11m), leaving retained profits ahead from £62.5m to £66.1m. On a CCA basis pre-tax profits amounted to £65.6m (£62.8m restated).

An historic breakdown of the results from Bank of Scotland *and Williams and Glyn's shows*: operating profits £49.7m (£45.9m) and £62.9m (£57.9m); share of associates £10.3m (£11.1m) and £2.8m (£2.4m); interest on subordinate loans £8.6m (£5.7m) and £9.6m (£8.4m); pre-tax profits £51.4m (£50.3m) and £56.1m (£51.9m); tax £21.6m (£15.8m) and £19.1m (£17.3m) *exceptional item* £15.6m (nil) and £11.9m (nil); extraordinary debits £8.9m (£1.9m credit) and £6.6m (£2.5m credits); attributable profits £36.5m (£36.4m) and £42.3m (£37.1m); dividends £6.2m (£5.1m) and £6.7m (£6.1m); retained profits £30.3m (£31.3m) and £35.6m (£31m).

The group's net interest revenues rose 6 per cent and commissions and other fee income rose by 19 per cent, which was mainly due to the larger volume of business and the introduction of new tariffs. On the other hand total costs rose by 17 per cent.

Numbers of staff in the Royal Bank of Scotland fell by 1 per cent and in Williams and Glyn's the average numbers were virtually unchanged. Overall staff costs rose by 14 per cent and other costs, such as rates and telephones, etc, rose considerably faster.

The group's foreign currency lending grew by 30 per cent and *after allowing for the movement* in exchange rates was some 25 per cent higher. Nevertheless, the contribution to group profits from the international side fell from 20 per cent to 16 per cent.

Overall, sterling advances increased by 15 per cent, with Williams and Glyn's showing more buoyancy than the Royal Bank of Scotland Ltd.

On the liabilities side of the balance sheet, foreign currency deposits rose by 41 per cent and sterling deposits were 15 per cent higher. Current account balances rose by 5 per cent. Just under two-fifths of the group's balance sheet is denominated in foreign currencies.

Group deposits advanced by 23 per cent. In Williams and Glyn's total deposits were 23 per cent higher and in the Royal Bank they were 19 per cent up. The group's net asset value is now calculated at 260p per share.

The faster growth rate at Williams and Glyn's appears to be continuing. The English bank has opened 22 offices over the last five years, plans to open another eight in the coming year and has a shopping list for sites for another 50 to 60 branches in the UK. Mr Sidney Procter, Williams and Glyn's chief executive, said yesterday that when this last stage is reached "we feel we will have one of the best national networks of the High Street banks."

At present the bank's new branches were making a positive contribution within two years and he called the bank's branching programme "a major success story."

SEE LEX

Morgan Crucible down at £5.33m after nine months

THIRD QUARTER taxable profits to September 27 1981 of international component and materials *supply group* **Morgan Crucible** improved from £2.42m last time to £2.74m, on turnover of £36.01m against £39.41m.

These figures represent a sharp *improvement when compared* with first half pre-tax profits of £2.59m (£6.5m) and turnover of £61.78m (£64.71m), and bring the total profits for the nine months to £5.33m (£8.92m) and turnover to £97.8m (£94.12m).

Mr Ian Weston Smith, chairman, says that these improvements stemmed largely from satisfactory results continuing overseas, while the UK market remains stable but at a low level.

A breakdown of sales and trading profits by division shows: electrical carbon £26.11m (£22.38m) and £2.1m (£2.86m); special carbons and ceramics £15.44m (£17.1m) and £613,000 (£2.31m); thermic £31.02m (£31.44m) and £2.53m (£4.02m); Acorn £19.47m (£17.8m) and £1.42m (£1.16m); and other products £6.71m (£5.4m) and £688,000 (£337,000).

Mr Weston Smith says the group acquired Hydrotex on September 8 and results, which are in line with expectations—sales £900,000 trading profit £200,000—were included in the Acorn division for the nine months. Although reflected in the reported Acorn trading profit, he says, these results made no contribution to profits before tax, because of the inclusion in the finance charge of bridging finance—prior to the receipts of the proceeds from the rights issue—in addition to the normal finance charges in relation to the acquisition.

Investment income for the nine months was £299,000 (£154,000), finance charges amounted to £2.85m (£2.31m) and redundancy and relocation costs came to £651,000 (£415,000). Tax—less grants for capital expenditure—took £2.04m (£3.36m) and attributable profits emerged at £2.93m (£5.28m) after minority debits of £364,000 (£282,000).

Earnings per 25p share for the nine months are given as 7p (12.6p) while the trading margin was 5.1 per cent (11.7 per cent).

● **comment**

Shares in Morgan Crucible has struggled back from the post-rights slide and added 1p yesterday to 113p. The impetus, however slight, stems from an upturn in the third quarter which has beaten the profits of the comparable period for the first time since early 1980. The recovery looks to have been spread across the board, thanks *to steady growth overseas and* UK rationalisation benefits. On a very rough and ready basis, the overseas companies are producing about £2m in each quarter before tax and interest this year against some £1.5m in 1981. Electrical carbon brushes contributed £894,000 between July and September against £1.21m in the previous six months. Special carbons and ceramics, worth £447,000 in the third quarter after £166,000 by the half-way mark, has been responding to the group's work on overheads. The UK outlook remains little better than flat but there is at least some comfort from favourable currency conversion (whose impact has not so far been quantified) and the thought that the Acorn division has succeeded with previous U.S. lubricants acquisitions. The yield on the forecast dividend is 9.5 per cent.

WINSTON

Winston Estates has become a wholly owned subsidiary of Sterling Credit Group. As a result of the offer, 7m 3.5 per cent convertible redeemable cumulative preference shares of Sterling, and the same number of warrants to subscribe for ordinary shares in Sterling, were issued to former shareholders of Winston.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British & American Film ...int.	1	Jan 4	1	—	2.88
Burnett & Hallamshire ...int.	6.5	Jan. 22	4.85	—	11.25
Sir Joseph Causton ...int.	1.35	Feb. 5	1.23	2.13	2.01
Cawoods ...int.	1.55	Jan. 28	1.4	—	3.9
Crosby Woodfield ...int.	Nil	—	Nil	—	0.05
Dawson Intl.	2	Jan. 22	2*	—	5.5*
Dundee and London Inv.	2.75	Jan. 21	2.6	4	3.85
Fine Art Devs. ...int.	1.1	Jan. 15	1.1	—	2.75
GEC ...int.	4.25	Mar. 31	3.5	—	10.25
Greenall Whitley ...ord.	1.81	Feb. 6	1.63*	3.44	3.13*
"A"	0.36	Feb. 6	0.33*	0.69	0.63*
Keystone Inv.	8.6	Feb. 4	7.25	10.6	10.5
Leigh Interests ...int.	1.53	—	1.33	—	5.63
Pauls and Whites ...int.	2.251	Jan. 15	1.75	—	6.5
Routledge & Kegan int.	1	Mar. 19	Nil	—	3
Royal Bank of Scotland	3	Jan. 18	2.7	5.4	4.9
Scapa ...int.	3	Jan. 22	2.8	—	5.55
Trans-Oceanic Trust	1.67	Feb. 25	1.5*	2.5	2.33*
United Wire	3.55	Jan. 22	3.55	5.75	5.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce the disparity at half time.

THE TRING HALL USM INDEX
115.9 (+0.6)
close of business 3/12/81
BASE DATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX
Close 517-522 (−11)

OIL INDEX
January Refined $44.10
March Refined $42.75

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Gordon and Gotch, Newman Industries, UKO International, Wagon Industrial.

Finals: Frederick Cooper, Crystalate.

FUTURE DATES

Interims—

Equity and Law Life Assurance	Dec 15
Kennedy Smale	Dec 16
Twinlock	Dec 14
Wood (S. W.)	Dec 18

Finals—

Borthwick (Thomas)	Dec 8
Davenports Brewery	Dec 18
First Union General Inv. Tst.	Dec 10
Guinness (Arthur)	Dec 15
Lazard Brothers Sterling Reserve Fund	Dec 23
Richards	Dec 11

LONDON TRADED OPTIONS

Dec. 3 Total Contracts 2,294. Calls 1,551 Puts 743

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP (c)	240	92	—	100	20	—	—	326p
BP (c)	260	72	50	80	—	—	—	"
BP (c)	280	52	10	66	10	—	—	"
BP (c)	300	34	40	48	14	60	3	"
BP (c)	330	20	181	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (c)	330	9	26	26	15	40	—	"
BP (c)	350	[illegible]	[illegible]	16	50	26	—	"
BP (c)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (p)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (p)	410	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (p)	320	13	43	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (p)	350	30	102	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (p)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
BP (p)	380	56	20	42	30	46	34	"
CU (c)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	133p
Cons. Gld (c)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	487p
Cons. Gld (c)	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Cons. Gld (c)	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Cons. Gld (p)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (c)	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73p
Ctlds. (c)	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (c)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (c)	700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	788p
GEC (c)	750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (c)	800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (c)	850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (p)	750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (p)	800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (c)	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	183p
Gr'd Met. (c)	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (p)	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (p)	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
ICI (c)	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	284p
ICI (c)	280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
ICI (c)	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
ICI (c)	340	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
ICI (p)	280	13	35	16	30	22	—	"
ICI (p)	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Land Sec. (c)	288	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	310p
Land Sec. (c)	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Mks. & Sp. (c)	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	124p
Mks. & Sp. (c)	130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Mks. & Sp. (c)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (c)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	396p
Shell (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (p)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (p)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"

Option	Ex'rcise price	February Closing offer	February Vol.	May Closing offer	May Vol.	August Closing offer	August Vol.	Equity close
Barclays (c)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	453p
Imperial (c)	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	69p
Imperial (c)	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Imperial (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Imperial (c)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Imperial (p)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lasmo (c)	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	464p
Lasmo (c)	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lasmo (c)	600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lonrho (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	79p
Lonrho (c)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lonrho (c)	90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lonrho (c)	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lonrho (p)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lonrho (p)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Lonrho (p)	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Racal (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	418p
Racal (c)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Racal (p)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Racal (p)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Racal (p)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Racal (c)	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	482p
Vaal Rfs. (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$55p

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$400	13	33.50	—	—	—	—	$417.50
GOLD C	$425	6	20	—	—	—	—	"
GOLD C	$450	17	9.50	22	22	5	44	"
GOLD C	$475	—	—	1	15.50	—	—	"
GOLD P	$375	16	6	—	—	—	—	"
GOLD P	$400	9	10	3	14	—	—	"
GOLD P	$425	13	22	10	24 B	—	—	"
GOLD P	$450	5	37	—	—	—	—	"
GOLD P	$475	5	56	—	—	—	—	"
12¼ NL 81 87-91								
C	F.105	110	1.30	—	—	—	—	F.105.20
C	F.107.50	30	0.50	20	1.10	—	—	"
12 NL 81 85-88								
C	F.97.50	3	4.50 A	—	—	8	—	F.101.10
C	F.100	10	1	—	—	—	—	"
P	F.102.50	—	—	40	2.60	—	—	"
10½ NL 80 86-95								
C	F.92.50	25	4.50	—	—	—	—	F.96.50
C	F.95	70	2	—	—	—	—	"
P	F.92.50	25	0.50	—	—	—	—	"
P	F.95	10	1.30	—	—	—	—	"
		Jan.		April		July		
ABN C	F.300	—	—	—	—	15	8	F.288.50
AKZO C	F.22.50	6	1.30	—	—	—	—	F.22.40
AKZO C	F.25	—	—	—	—	10	1.80	"
AKZO P	F.22.50	—	—	21	1.50	—	—	"
AMRO C	F.50	—	—	—	—	11	6.50	F.53.40
AMRO C	F.55	—	—	—	—	12	2.60	"
HEIN C	F.45	—	—	22	2.60	—	—	F.44
HOOG P	F.17.50	—	—	—	—	50	1.20	F.14
IBM C	$55	—	—	—	—	2	3¾	$53⅛
KLM C	F.90	32	6.60 A	5	11	—	—	F.92
KLM C	F.100	7	2.40	—	—	—	—	"
KLM C	F.110	25	1.10	38	4.50	—	—	"
KLM C	F.120	50	0.60	10	2.50	—	—	"
KLM C	F.80	13	1	—	—	—	—	"
KLM P	F.90	22	3.50	4	5.50 B	—	—	"
KLM P	F.100	4	9.80	2	11.50	—	—	"
NEDL C	F.140	17	7	5	12	—	—	F.143
NEDL C	F.150	32	2.50	30	6.50	—	—	"
NEDL C	F.160	20	0.60	—	—	—	—	"
NEDL P	F.140	—	—	10	5.70	—	—	"
NATN C	F.110	—	—	8	5	—	—	F.110
NATN C	F.115	7	1	5	3.40	—	—	"
PHIL C	F.20	14	0.50	37	1.30	153	1.60	F.19.60
PHIL C	F.22.50	—	—	10	0.50	45	0.80	"
PHIL C	F.25	5	0.10	—	—	—	—	"
PHIL P	F.20	60	1.50	—	—	20	1.30	"
RD C	F.80	21	10.60	10	13	—	—	F.88
RD C	F.90	68	3.40	40	7	5	8	"
RD C	F.100	2	0.90	66	3	—	—	"
RD P	F.70	10	0.20	20	1	—	—	"
RD P	F.80	45	0.80	18	2.20	—	—	"
RD P	F.90	6	3.50	5	4.30 B	10	6.10	"
UNIL C	F.150	3	5 B	3	8.40	3	10	F.150
UNIL C	F.160	10	1.10	4	4	—	—	"
UNIL C	F.170	10	0.50	15	1.20	—	—	"
UNIL P	F.130	—	—	5	1	—	—	"
UNIL P	F.140	3	1	9	2.60	—	—	"
UNIL P	F.150	—	—	30	5.50	—	—	"
		Feb.		May		Aug.		
VW C	DM.60	—	—	8	4	—	—	DM135

TOTAL VOLUME IN CONTRACTS: 1755

A=Asked B=Bid C=Call P=Put

BIDS AND DEALS

Fairclough Cons. has 15.3% of French Kier

French Kier Holdings has been formally advised that Fairclough Construction Group has become the beneficial owner of 7,275,000 ordinary shares of 25p each in the company, representing 15.31 per cent of the total issued ordinary share capital of French Kier.

These shares were acquired from Trafalgar House.

Walker uses option over Lifestyle

Walker and Homer has delivered notice to exercise its option to acquire Lifestyle Upholstery.

The shareholders of Lifestyle have waived their right under the option agreement to refuse the notice when the net asset value of their company falls below £500,000.

In the next few weeks 5.36m new 5p ordinary shares of Walker Homer will be alloted for Lifestyle's acquisition.

The new shares will make up 40 per cent of the issued ordinary shares of the company as increased by their issue, and will rank pari passu with those already in issue.

Proposals for some reorganisation of the group, *including a change of name for the company*, will be circulated to shareholders. The changes will be subject to their approval at an extraordinary meeting in January 1982.

JENKS & CATTELL/ BURGON & BALL

Bone Fitzgerald and Company *has announced* that its offers on behalf of Jenks and Cattell to acquire the whole of the share capital of Burgon and Ball have become unconditional in all respects.

Acceptances of the offers have been received in respect of the following Burgon and Ball shares: 77,619 existing ordinary shares (approximately 97.0 er cent): 98,398 existing preferred ordinary shares (aproximately 98.4 per cent): and 19,769 preference shares (approximately 98.8 per cent).

The offer remains open for *acceptance and in due course* Jenks and Cattell intends to acquire compulsorily the outstanding shares in Burgon and Ball under *section 209 of the* Companies Act 1948.

NORTHERN FOODS

Following the increase by Northern Foods of its holding in Avana Group to 20.5 per cent of the ordinary capital, *Christopher Haskins*, deputy chairman of Northern, is joining the board of Avana as its representative. At the same time, Dr John Randall, chairman of Avana, is joining Northern Foods as a non-executive director.

Sturla near control of Laganvale

Laganvale Estate, the quoted Belfast property company in which Mr Jim Slater has a 26.46 per cent holding, is being acquired by Sturla Holdings, the financial services group, in a *recommended share deal* which values Laganvale at around £4.48m.

Mr Slater has irrevocably accepted in respect of his holding. Together with Mr Simon Fraser with 12.47 per cent and directors' holdings this gives Sturla 46 per cent of the Laganvale shares. Mr Robert Knight, chairman of Sturla, said yesterday that other acceptances in the pipeline takes Sturla's holding over 50 per cent, giving it control.

The basis of the offer is: for every two shares in Laganvale three shares in Sturla, 10p of 10 per cent convertible redeemable preference shares and 12p of 16 per cent unsecured loan stock 1983-85. On the basis of yesterday's closing price of 13p (down 1p) for Sturla, the package values *each Laganvale share at 30.5p* compared with a closing price of 27p (down 2p). At yesterday's price Sturla is valued at £1.54m.

Half of the Sturla ordinary shares to which each accepting Laganvale holder is entitled will be underwritten by Rowe Rudd and Co. at 13p each.

Mr Slater—who could end up with around 11 per cent of the enlarged Sturla equity—acquired his stake in Laganvale when the company acquired his private Strongmead company for £1.4m in shares at the beginning of this year.

Mr Knight said that although the group has no existing *property interests the acquisition* does not represent a diversification. He said it was a "clear acquisition" of a company with *some £4.5m of assets. Half of* these are in cash, with nearly half in a big property which is in the process of being sold.

The chairman said that Sturla's business as a financial services company will continue unchanged. The deal puts £4.5m into the capital end of the group's balance sheet "which we can use to continue to development of the business." This will enable the group to expand the company's asset financing and leasing business, particularly in the local authority field.

Mr Knight said he believed Laganvale shareholders had decided to accept the offer because "they can see that we have a growth earnings business, whereas they are not that strong on earnings."

He said that the two sides started talking after *Sturla's* interim results were published last month. These showed a pretax profit of £468,000 for the six months *ended July 31 1981* against losses of £221,000 last time. Profit for the whole of 1980-81 was £231,000. Net assets *were shown to be up from £1.49m* at the year-end to £3.26m with total funds employed up from £5.39m to £14.24m.

Mr Knight pointed out that the two groups have no existing ties. But he said that as deputy chairman of First Fortune Holdings he bought the Slater Walker Finance Corporation from Slater Walker in 1974.

If the offer by Sturla becomes unconditional, Mr H. F. Shaw, the managing director of Laganvale, will be invited to join the board of Sturla. Mr Slater is not on the board of Laganvale and *there are no plans for him to* join the Sturla board.

Two of Sturla's planned deals *in the last 18 months have not* come to fruition. In June 1980 the group decided not to go ahead with the acquisition of ICPS, a private company operating in the credit life insurance and extended car warranty fields. After a full appraisal of the company it was decided "it would not be in the interests of shareholders."

In June 1981 the group had planned to acquire Greenbank Trust a subsidiary of Malton Financial Services for £1.4m in shares. Malton is a private company controlled by Mr Tony Rudd and Mr Gerald Kelly, former partners in stockbrokers Rowe Rudd which decided to cease trading in March. In August, Sturla announced that talks with Greenbank had been terminated amicably.

In March 1981 Sturla acquired First Guernsey Securities Trust in a deal which valued the offshore closed-end investment company at around £1.4m.

The accounts for Sturla for both the 1979-80 and 1980-81 years were qualified by the *auditors Stoy Hayward in* respect of repayment of loans made to former subsidiaries, Sturdy Finance and AES Television Services.

Ductile Steels forecasts profits revival

Ductile Steels, in which Caparo Industries has recently built up a 20 per cent stake, *yesterday forecast a sharp* return to profits of "at least £2m" by January 2, the end of the first half.

Last year Caparo made a pretax loss of £1.49m for the comparable period, and for the year as a whole the loss was £1.89m.

The recovery in the first quarter, promised by Mr Ronald Sidaway, the chairman, in defending the company against what was thought might be a *bid approach a fortnight ago*, has produced a £937,000 trading profit, which translates into £909,000 at the pre-tax stage.

Mr Sidaway told shareholders yesterday that all companies were now back to normal working and the strong financial position would enable the company to take full advantage of any further improvement in

LEADERFLUSH

The directors of Leaderflush, the specialist door manufacturer, say that "the disputes concerning transactions in the company's share capital" — which Mr Geoffrey Simon, the chairman, said in October had involved serious legal infringements—*have now been "satisfactorily* resolved."

The company *also* announced yesterday that it intends to pay *an interim dividend for the half-*year to September 30. The size of the dividend will be declared when results for the period are released "early in 1982." Leaderflush omitted its interim and final dividends in the year to last March 31.

Scotcros expands overseas

Scotcros, the Glasgow based packaging, food and engineering group, yesterday unveiled two overseas acquisitions in France and the U.S.

The group has reached agree*ment for the purchase of 65 per* cent of the share capital of E. P. Remy et Cie S.A., a private company situated in Dreux, France, for a cash consideration of FFr 9.75m (£890,000). Completion of the deal is expected to take place later this month.

E. P. Remy manufactures and sells a *wide* range of bottle filling and handling equipment, with exports accounting for over 65 per cent of sales. In the year ended December 31 1980 sales were FFr 45m *(£4.11m) and* profits before tax after charging interest and owner's remuneration totalled FFr 3.5m (£319,780). *Total net assets at December 31* 1980 were FFr 16.4m (£1.5m) before any revaluations.

In the U.S. Scotcros has reached agreement for the purchase of the entire share capital of Sotex S.A., a Swiss company whose assets are located in California. The consideration *will be $1m (£513,478) in cash*. Completion of the deal will take place this month.

The base in California will be used to expand Scotcros' overseas sales and will provide an outlet for J Deans and Company, Scotcros' wine importer and bottler to the Californian wine industry.

The finance for the two acquisitions has been arranged with the Bank of Scotland, which is *providing facilities of* FFr 7.8m (£712,654) and $1m (£513,478) both over five years.

A circular giving details of *the transactions will be sent to* shareholders of Scotcros in due course.

Standard supports Royal's arguments

Standard Chartered Bank, which has been noticeably quiet about its planned merger with the Royal Bank of Scotland Group, has said that it "*fully* supports" the arguments put forward by the Royal Bank on the merits of the merger.

The Royal Bank of Scotland Group is the subject of two rival bids; one by Standard Chartered, with which it wants to merge, and another by Hongkong and Shanghai Banking Corporation. The Royal Bank board opposes the latter's bid and both bids are now *being considered by the* Monopolies and Mergers Commission (MMC).

The MMC is understood to be nearly ready to deliver its report to the Government and against this background the Royal Bank group and the Hongkong Bank *have been mounting publicity* campaigns to argue the merits of their respective cases.

Until now Standard Chartered has said little *in* public. Its reasons for seeking the merger with the Royal Bank are contained in its offer document published on April 29 1981.

Yesterday, Standard Chartered issued a statement saying that "it remained convinced that the objectives it seeks in proposing to merge with the Royal Bank would produce a new banking organisation on a par with the major clearing banks in the UK *and add significantly* to competition.

The statement said "it is Standard Chartered's view that a merger of the two groups would considerably strengthen the direct involvement of the British banking system in international business and also be of great benefit to the UK economy.

Meanwhile, Sir Michael Herries, chairman of the Royal Bank of Scotland Group, told a London press conference that the merger with Standard Chartered presented a unique opportunity to create a powerful new force in British banking with a strong UK base and a formidable international presence.

B & P now has 29.9% of Braham Millar

Bath and Portland has acquired a further 1,886,500 shares in mechanical engineer. Braham Millar. The purchase was made yesterday at 27½p per share as the result of a tender offer extended on November 26 *to buy that number of shares at* up to a maximum price of 33p per share.

Bath and Portland now owns 29.9 per cent of Braham Millar's equity, having added to an initial 3.8 per cent holding with a dawn raid at 33p per share on November 24. *The intention to* make a tender offer was announced at the time of the raid.

Braham Millar's shares were suspended at 24p prior to the announcement of the tender's success. They are due to resume trading this morning. An offer of 30 per share from Fieldwood lapsed on November 28.

Braham Millar's board which had firmly opposed the Fieldwood bid, yesterday joined Bath and Portland's directors in anticipating a closer relationship which will lead to "beneficial trading opportunities in the future."

Electronic Machine chief resigns

MR PETER TOOKE resigned on Wednesday as chairman of Electronic Machine during the annual meeting, which had been adjourned from October 22.

Mr Tooke resigned in sympathy with Mr Neil Munro whose re-election to the board as a non-executive director had been opposed at the earlier meeting by Mr Peter Lobbenberg and his associates, who control 29.18 per cent of Electronic.

At Wednesday's meeting Mr Munro did not offer himself for re-election and Mr Tooke then resigned.

Electronic now says that it is "in discussions with major shareholders with *a view to a reconstruction of the board*."

It appears that Mr Lobbenberg is seeking a board seat, but that *the new chairman* is likely to be a non-executive with experience in the electronic sector. An announcement will be made within a fortnight.

BURNETT/ANGLO INTL.

Burnett and Hallamshire Holdings offer for Anglo International Mining Corporation, has been declared unconditional in all respects. The offer remains open.

Burnett now owns shares carrying about 96.2 per cent of the voting rights.

BANK RETURN

	Wednesday Dec. 2 1981	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	38,457,124	— 1,827,693
Bankers Deposits	509,137,598	— 5,484,823
Reserve & other Accounts	1,534,308,458	+ 26,934,179
	2,096,456,180	+ 19,621,663
Assets		
Government Securities	426,205,069	+ 118,850,000
Advances & other Accounts	999,831,933	— 5,064,903
Premises Equipment & other Secs.	655,571,020	— 94,074,059
Notes	14,607,384	— 57,804
Coin	240,774	— 31,591
	2,096,456,180	+ 19,621,663
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	10,825,000,000	+ 200,000,000
In Circulation	10,810,392,616	+ 200,057,804
In Banking Department	14,607,384	— 57,804
Assets		
Government Debt	11,015,100	—
Other Government Securities	6,413,989,211	— 54,114,953
Other Securities	4,399,995,689	+ 254,114,953
	10,825,000,000	+ 200,000,000

and Markets Companies

UK COMPANY NEWS

GEC surges to £248m at the midway stage

TAXABLE PROFITS of The General Electric Company advanced sharply from £189.7m to £247.8m for the six months ended September 30 1981 on external sales of £1.98bn compared with £1.59bn.

Estimated earnings per 25p share are given as 26p (20.3p) and the net interim dividend is raised by 0.75p to 4.25p—last year a total of 10.25p was paid from pre-tax profits of £475.8m.

After tax (not disclosed) and minorities of £5.9m (£1.6m) the net balance for the half year emerged £31.6m higher at £142.8m. Interim dividend payments absorb £23.3m (£19.2m).

An analysis of turnover (including inter-group sales) and pre-tax profits shows: UK—power engineering £255m (£237m) and £24m (£22.3m); industrial £167m (£170m) and £21m (£20.8m); electronics, automation and telecommunications £660m (£557m) and £85.4m (£55.4m); components, cables and wire £219m (£229m) and £18.7m (£20.7m); consumer products £133m (£139m) and £6.9m (£3m); associated companies £70m (£61m) and £0.4m (£0.1m).

Overseas—subsidiaries £634m (£359m) and £39.7m (£29.2m); associated companies £181m (£137m) and £18.6m (£14.3m). Turnover of other activities and items totalled £13m (£11m) and taxable profits were £6.5m, including a credit of £20.4m (£11.5m loss after debiting £11.4m in respect of group holdings of foreign currency balances, to value them at exchange rates ruling at September 30 1980 and 1981 respectively).

The pre-tax figure also included net interest receivable of £26.5m (£35.4m including a credit of £8.9m for interest received from an earlier period).

A territorial analysis of turnover (£634m, against £359m) and pre-tax profits (£39.7m, against £29.2m) of overseas subsidiaries shows: Europe £69m (£62m) and £6.9m (£7.6m); The Americas £392m (£171m) and £17.1m (£10.6m); Australasia £91m (£60m) and £6.8m (£4m); Asia £67m (£54m) and £6.6m (£5.2m); and Africa £15m (£12m) and £2.3m (£1.8m).

Group export sales for the six months amounted to £504m (£430m) and export orders received totalled £1.13bn (£663m).

Bank balances and short term deposits less bank overdrafts at September 30 1981 were £801m (£661m at March 31 1981).

See Lex

Cawoods rises 17% at six months

PRE-TAX profits of Cawoods Holdings increased by 17 per cent from £5.02m to £5.88m for the half year to September 30 1981, helped by higher contributions from leasing and interest received. Turnover rose by 7.5 per cent to £159.88m.

The directors say the improvement in profits has continued in the early part of the second half, but the final outcome will, as always, be affected by the weather during the remaining winter months.

With the maiden interim dividend from LASMO of £0.38m received in October and the company's continuing strong cash position, they expect to achieve another satisfactory result for the year. Taxable profits for the 1980-81 year were £13.5m.

The net interim payment is being raised from 1.4p to 1.55p per 25p share and the directors intend to pay at least the same final as last year's 2.5p. First-half earnings per share improved from 7.5p to 8.5p.

During the half year, sales volumes were higher in solid fuel, particularly in exports and in packaging and shipping services. But in all other divisions, volumes especially oil sales were lower than in the corresponding period of 1980. However, the directors believe that market share was maintained in all sections.

The solid fuel distribution side made higher profits because of increased exports, while packaging and shipping services also raised their contributions. But in oil distribution and road and building materials overall, profits were lower.

The cash position remains very strong.

	Half year 1981 £000	1980 £000
Group turnover	159,880	148,695
Subsidiaries	135,454	120,595
Associates	24,426	28,121
Trading surplus	6,583	5,407
Depreciation	1,800	1,479
Share of assoc. profits	201	577
Investment income	133	112
Interest received	719	455
Loan interest	53	55
Profit before tax	5,883	5,017
Taxation	1,708	1,396
Net profit	4,185	3,621
To minorities	31	22
Extraord. credit	106	—
Available	4,230	3,629
Ordinary dividend	750	676
Pref. dividend	3	3

● **comment**

Cawoods is presenting a mixed divisional picture but the upshot is a 17 per cent pre-tax rise at the interim stage and a growing pile of cash. The solid fuel distribution operations retain their traditional 50 per cent share of overall profits and, while the severity of these winter months will weigh heavily on their overall contribution, the strength of coal exports is becoming increasingly important. Packaging has reversed a downtrend and should be worth its more usual £500,000-plus this year. Shipping services, too, are still growing, thanks in large part to the Ellesmere container terminal. Elsewhere, the leasing business is up by at least £200,000 pre-tax and the group will be putting a further £7m onto the leasing book in March so the tax charge will once more be low. The shares climbed 4p yesterday to 218p where the historic fully-taxed p/e is 16.2, or 11 ex-LASMO (now worth almost 70p per share). The high rating—the yield on a 10 per cent dividend rise this year will be under 3 per cent—coupled with substantial liquidity must presage a sizeable acquisition in the near to mid-term. It missed Hoveringham and may well be casting a wider net.

Pauls & Whites soars midway

AS EXPECTED at the annual meeting in July a considerable improvement has been shown by Pauls and Whites for the six months to September 30 1981.

Taxable profits have moved sharply ahead from £2.99m to £4.63m on turnover up from £111.7m to £130.96m. The directors are confident that the net profit for the year will show a significant increase.

The interim dividend is 2.25p compared with 1.75p which is being paid to reduce the disparity paid at half time. In the last full year a total payment of 6.5p was made from taxable profits of £8.61m, on turnover of £241.77m. The group's main activities are in the production of animal feeds, flour, brewing materials, and agricultural products.

The directors point out that the present high level of interest rates coincides with peak seasonal borrowings, so they warn that finance charges for the 12 months may well be higher than last time.

The agricultural side contributed significantly more than in the depressed trading conditions of last year. Malting benefited from reduced losses in Germany and rising exports, which helped offset the continued reduction in demand from UK brewers and distillers.

The fall in beer consumption also led to lower demand for hop extracts, while sales of flavours to the food and beverage industries continued to grow.

In Nigeria, the animal feed mill has run at full capacity, but the attributable profit from this was adversely affected by exchange rate movements.

Pre-tax profits were struck after interest of £1.14m (£1.34m) and included the contribution of £268,000 compared with £316,000 previously. Tax took £1.29m against £595,000 last time. Earnings per 25p ordinary share rose from 7.61p to 12.01p.

● **comment**

Pauls and Whites shares gained 5p yesterday to an all-time peak of 183p following the very strong interim figures. The animal feed division continued to pick up market share and, thanks to some shrewd grain buying and high operating levels in its modern mills, has pushed up margins considerably. On the malting side, the group has built up substantial export sales, especially to Nigeria and the Far East, to make up for the slack in UK brewing and distilling markets. Moreover, the EEC restitution payments now make export business as profitable as some UK sales. In the second half, the group expects interest charges to be higher and UK malt markets to remain very difficult, but improved pig markets should help both the agricultural division to maintain its momentum and the contribution from associates to recover. Group profit for the year could reach a record £10.5m before tax. The prospective fully taxed p/e would then be under 10, leaving some scope for further share price strength. The historic yield is 5 per cent.

Leigh Interests slumps to £320,000 at halfway

AS PREDICTED at the last AGM, results of Leigh Interests for the six months to September 30 1981 show a significant downturn on the corresponding period. Pre-tax profits fell from £610,000 to £320,000 and the directors explain that this is directly attributable to the general recession, which has been particularly marked in the Midlands and has continued longer than was generally anticipated.

They add, however, that with a strong balance-sheet and streamlined operations the group is well placed to benefit from any upturn in the economy.

Sales for the first half improved marginally from £11.15m to £11.56m and profits were struck after associated losses of £9,000 (£102,000). Tax took £92,000 (£214,000) leaving the net balance at £228,000 (£396,000).

The net interim dividend is held at 1.51p at a cost of £184,000 (£142,000). Last year's total payment was 5.63p from profits of £1.15m.

The directors report that in the face of constant pressure on margins the group has held its competitive position in the waste disposal industry through its attention to costs and aggressive marketing.

The policy of expanding during recession and increasing market share through profitable acquisitions in adjacent regions has been proved sound. This, when associated with the rationalisation programme, should progressively improve the return on assets employed, they state.

Since the end of the half-year, the deep mine disposal facility has been licensed, after three years of planning delay, and drilling is completed.

The company also has interests in building material, quarrying, fuel contracting and motor vehicle dealing.

● **comment**

Leigh Interests' interim results are somewhat worse than expected and it now seems likely that the chairman's hope of another year of profit growth will not be realised. The waste treatment business continues to suffer from the industrial recession in the Midlands and profits have been hard hit by severe price cutting that developed a few months ago. Were it not for a satisfactory contribution from last April's Derby Waste acquisition, profits would have been even lower. On present form, the group will make about £0.8m in the full year. At 120p, down 4p to a new low for the year, the shares yield under 7 per cent.

SPAIN

December 3	Price %	+ or −
Banco Bilbao	234	
Banco Central	33	−9
Banco Exterior	310	
Banco Hispano	327	−2
Banco Ind. Cat.	115	
Banco Santander	366	−4
Banco Urquijo	217	−1
Banco Vizcaya	353	−2
Banco Zaragoza	214	
Dragados	145	−6
Espanola Zinc	62	
Fecsa	66.5	−1.5
Gal. Preciados	48	−2
Hidrola	77.2	−1.5
Iberduero	55.2	−1.3
Petroleos	98	−1.7
Petroliber	92	+2
Sniace	49	
Telefonica	73.5	
Union Elect.	76	

Routledge well ahead and pays interim

Taxable profits of Routledge and Kegan Paul, book publisher, rose sharply from £24,000 to £127,000 for the six months to September 30 1981 after interest charges of £45,000, compared with £62,000.

After omitting the interim dividend last year a payment of 1p net is declared for the period under review—for 1980-81 a final of 3p was paid.

Stated earnings per 25p share for the first half came through at 7.7p (2p) after tax of £38,000, against nil last time.

Turnover edged ahead to £2.47m (£2.12m) but the directors say that in the UK the group is continuing to trade in a very difficult market.

MINING NEWS

TCL to develop £138m coal mine

BY KENNETH MARSTON, MINING EDITOR

A NEW underground coal mine is to be established in South Africa's Eastern Transvaal at a cost of R282m (£138.6m) by Transvaal Consolidated Land and Exploration (TCL). The cost is to be financed out of retained profits and loans to be arranged.

The new colliery is expected to be fully commissioned in 1993 when annual output is expected to reach approximately 12m tonnes of coal. But first deliveries of coal are to be made in 1987 to the new 3,600 MW power station, to be named Khutala, which is to be constructed by the Electricity Supply Commission.

Khutala is the reason for the decision to open up the new mine, TCL having been given the contract to supply the power station with its coal needs.

Mr A. C. Petersen, chairman of TCL, said in the recent annual report that the group's huge coal reserves now total nearly 13bn tonnes and are expected to be even further increased as exploration proceeds. He also expected continued growth in earnings and dividend in the current financial year to September 30.

Gold Fields now has 21% of Newmont

LONDON'S Consolidated Gold Fields' U.S. Amcon subsidiary says that further purchases of Newmont Mining stock have now lifted the group's stake in the U.S. natural resource major to 21 per cent from the previously reported 17.6 per cent.

The latest buying is in line with Gold Fields' stated aim of raising its stake in Newmont to a minimum of 25 per cent but less than 50 per cent. Meanwhile, the price of Newmont stock has fallen to around $46 compared with prices of over $60 when earlier purchases were made this year.

Metals Ex produces its reply to Nth. Kalgurli

THE LATEST move in the battle by Australia's Metals Exploration to gain control of the gold-producing North Kalgurli comes with a riposte from Metals Ex to the recent counter-arguments put forward by North Kalgurli.

Metals Ex holds 20 per cent of North Kalgurli's shares and has now lodged a bid for a further 15 per cent. This partial bid means that an individual shareholder will be able to accept the offer in respect of some 19 per cent of his holding.

He may also seek to sell more of his shares to Metals Ex but they will only be accepted to the extent that the overall total of shares offered falls below the maximum 15 per cent.

The cash bid is of A$1.50 for the fully paid shares (about 88p per share compared with last night's close of 74p) and $1.35 for the contributing shares.

Metals Ex is also seeking proxies to remove two of the North Kalgurli directors from the latter's board and replace them with four of its own. This would give effective control and North Kalgurli has said that if this move is successful Metals Ex would be able to drop its share bid.

This, however, is denied by Metals Ex which says that whatever the outcome of the proxy battle, the bid cannot be withdrawn and adds that the offer documents have the approval of Australia's National Companies and Securities Commission.

Other points made by Metals Ex include the earlier criticism of the North Kalgurli board's running of the gold venture which has just started operations and the claim that shareholders would be better placed with Metals Ex in control.

It is also pointed out that the share price of North Kalgurli has been underpinned to some extent by the partial bid and thus after this goes through the share price can be expected to fall.

To what degree this would affect the overall value of a shraeholding remains to be seen, but it is an unsatisfactory aspect of partial bids.

Gopeng group tin outputs

IN THE Gopeng group of tin producers in Malaysia, Gopeng Consolidated lifted its output of concentrates slightly last month to 141½ tonnes. The second biggest company, Mambang Di-Awan, rose to 55 tonnes.

Idris Hydraulic Tin, which is currently awaiting a formal take-over aproach from Syarikat PKB, produced tsujherttrqeu-sreas7 produced just three-quarters of a tonne of concentrate from scavenging operations, down from 8¼ tonnes in October. The company had to end its mining operations on September 26 following a serious landslide and severe flooding.

The output figures are compared in the accompanying table.

	Nov tonnes	Oct tonnes	Sept tonnes	Aug tonnes
Gopeng	141½	139¾	148¾	167¼
Idris	¾	8¼	7½	14¾
Mambang	55	42½	38¾	28¼
Tanjong	20⅔	17¼	18	10¼
Pengkalen	6	5	5½	3½

Murchison: a final of 60c

IN LINE with the recent sharp improvements in its fortunes South Africa's antimony-producing Consolidated Murchison returns to the dividend list with a final for 1981 of 60 cents (32p) after having passed its interim. An interim only, of 30 cents, was paid for 1980.

The company's parent, Anglovaal (formerly Anglo Transvaal Consolidated) is raising its interim for the current year to June 30, to 90 cents. For 1980-1981 there was an interim of 75 cents, followed by a final of 225 cents.

Middle Witwatersrand is declaring an interim payment for the year to June 30, of 22 cents. It is stated that this is required in order to avoid payment of undistributed profits tax and that a further dividend announced will be published on December 8.

Of the group's gold producers, Hartebeest is cutting its interim for the year to June 30, to 375 cents from 500 cents last time, a payment which was followed by a final of 525 cents.

UK COMPANY NEWS

Fine Art slips at midyear

PRE-TAX PROFITS of Fine Art Developments, greetings cards publisher, declined from £680,000 to £665,000 for the half year to September 30 1981, on turnover of £1.18m higher at £32.78m.

The directors say that despite difficult trading conditions sales were held at the previous year's levels—the small increase arising from recent acquisitions. They point out that higher operating costs resulted in lower trading margins.

So far sales in the second half have shown some improvement, but it is anticipated that profit before tax for the year as a whole will not match the £4.63m reported for 1980/81.

The net interim dividend is being maintained at 1.1p on the capital enlarged by a rights issue—a total of 3p (2.75p) was forecast last May.

The taxable surplus for the first half was struck after interest charges of £1m (£1.37m) but was subject to tax of £150,000, against £335,000.

Stated earnings per 5p share improved from 0.708p to 0.752p.

Strong second quarter from Plessey

SECOND quarter pre-tax profits of Plessey and Co., telecommunications, electronic systems, engineering and components group, jumped by £6.38m to £26.3m, leaving the result for the 26 weeks to October 2 1981 well ahead at £51.26m compared with £38.57m for the corresponding 27 weeks.

Sales for the half year totalled £449.3m, an increase of 17 per cent after adjustment for the longer accounting period last year. Exports from the UK advanced by 34 per cent to £54m.

Trading profits rose from £50.84m to £60.01m and, with depreciation taking £12.11m (£11.16m), operating profits improved from £39.69m to £47.9m.

This represents an adjusted increase of 25.3 per cent, and the directors report that there were particularly strong performances from telecommunications—main exchanges and transmissions and from aerospace and engineering.

Electronic systems and equipment deliveries advanced, while operating profits were slightly lower. This, the directors explain, was because of increased investment in new product development and deliveries during the second quarter at lower than normal margins.

The pre-tax result represents an increase of 32.9 per cent on sales per employee 26.6 per cent higher at £20,353 per annum.

Orders at the end of September totalled £1.21bn, an increase of 12.9 per cent on the position a year ago.

The group balance-sheet remains strong, say the directors. A further net cash inflow during the first half provided an increase in interest receivable of more than £5m from £3.07m to £8.14m. This exceeded the interest payable for the period of £7.1m (£5.88m) by more than £1m.

Share of associates expanded from £1.69m to £2.32m. Tax took £17.8m (£13.6m) and there were minority profits of £989,000 (£726,000).

Second quarter earnings per 50p share rose by 31.1 per cent to 6.57p and for the half-year they showed a 32 per cent improvement from 10.16p to 13.41p.

An analysis of sales and operating profits for the first half shows (£000s omitted): telecommunications — main exchanges and transmission £124,300 (£106,500) and £16,634 (£11,791); office data and control systems £67,900 (£58,500) and £6,053 (£4,988); electronic systems and equipment £139,400 (£122,800) and £9,795 (£10,002); micro-electronics and components £55,200 (£53,700) and £4,096 (£4,326); aerospace and engineering £62,500 (£57,200) and £8,509 (£6,634); group services nil (same) and £2,815 (£1,949).

See Lex

Utd. Wire has second half rally

A SECOND half rally at United Wire Group saw pre-tax profits jump from £264,000 to £602,000, but the year-end total was down from £798,000 to £632,000. Turnover on the year to October 3 1981 was slightly lower at £14.28m compared with £14.55m.

Mr A. A. R. Green, the chairman, says the principal factors which brought about the turnround in group profitability were the reduction in the trading losses in the wire division and the paper trade division at Edinburgh, coupled with a strong recovery at United Fabrics, good contributions from the South African group, and a further advance from oil-related activities.

He says following the restructuring carried out in 1980-81, there will be some recovery in profitability for United Wire Limited. United Fabrics should make steady progress, and the oil-related activities, which are becoming of increasing significance to the group, will continue their upward trend in profits.

Interest charges were down from £431,000 to £381,000.

There was a tax charge of £163,000 (£214,000) and stated earnings per 25p share fell from 7.08p to 5.75p but the net total dividend is maintained at 5.75p with a final of 3.55p.

On a CCA basis pre-tax profits were £262,000.

Greenall Whitley advances to £22.5m

DESPITE PREDICTIONS at the interim stage of difficult trading conditions, second half taxable profits of Warrington based brewer, bottler, distiller and hotelier Greenall Whitley and Co. rose from £11.46m to £12.84m in the six months to September 25 1981.

This brought pre-tax profits for the year up by 10.3 per cent to £22.5m (£20.4m), earned on higher turnover of £194.92m (£179.3m).

The final dividend on the 25p ordinary and 25p "A" ordinary shares is being increased from an adjusted 1.625p (net) to 1.81p and an adjusted 0.325p to 0.362p respectively, making totals of 3.4375p (3.125p adjusted) and 0.6875p (0.625p adjusted). Last year there was also a one-for-one scrip.

Earnings per ordinary share are given as 13.05p (11.61p adjusted) and per "A" ordinary share as 2.61p (2.32p adjusted).

Mr Christopher Hutton, chairman, says that it is too early to predict current trends, but trading conditions continue to be difficult.

Since Mr Hutton's last annual statement the group opened five new public houses. Greenall Whitley opened the Punch Clock in Leeds, the Pretoria in Atherton, Greater Manchester, and the Strawberry Tavern in Liverpool. Shrewsbury and Wem opened the Winning Post in Wolverhampton, and Shiptons opened the Gallery in Northampton. Since the year-end Greenall and Whitley opened the Red Brook in Partington, Greater Manchester.

At the end of October the group acquired from Ellerman Lines an 87 per cent interest in the Belfry Golf and Country Club at Sutton Coldfield which has become a wholly-owned subsidiary.

Six bingo halls have also been recently purchased subject to Gaming Board consent, two in Doncaster and one in London, Edinburgh, Norwich and Bristol.

Taxable profits were struck after depreciation of £4.79m (£3.91m), interest payable of £2.14m (£2.08m) and interest receivable of £288,000 (£418,000). Tax took £7.62m (£7.12m).

After preference dividends of £388,000 (same) and ordinary dividends of £3.82m (£3.46m) the amount retained emerged at £10.67m (£9.42m).

At the year-end, shareholders' funds stood at £186.5m (£176.57m). Fixed assets were valued at £213.54m (£203.5m) and net current assets excluding overdrafts came to £5.07m (£3.26m). Overdrafts were £5.77m (£4.2m) and loan capital was £15.19m (£15.93m).

● comment

The weak trend in beer sales has helped to contain Greenall Whitley's second half profits growth to around 8 per cent before non-trading items. The volume fall is less than the industry average, partly thanks to new free trade accounts, but an early increase in pub prices and a marked fall in spending on repairs and maintenance give some idea of the dull outlook for the tied houses. Greenall is probably holding its net margins on beer for the moment but, with an uncomfortable number of its outlets in areas of high unemployment, the worst is probably to come. Hotels are showing a slight recovery in occupancy rates and wines and spirits are performing well in response to the expansion of Greenall's off-licence network. But, with the ordinary shares yielding only 3.7 per cent on yesterday's price of 136p, the company looks to be rated more on its record than its prospects.

Murray Technology at £166,446

Pre-tax revenue of Murray Technology Investments, which was incorporated in February this year, totalled £166,446 and earnings for the period to September 30 1981 per 25p share are given as 0.95p. Net asset value was 90.5p.

Tax for the period took £81,523 but there is no interim dividend.

The directors say that since the fund was launched the price performance of listed technology stocks in North America, Japan and the UK has been poor and worse than markets as a whole.

The performance of the unlisted companies has been mixed with some showing good growth while others, more exposed to the recession, have experienced difficult trading conditions. The outlook for most of the unlisted companies is now more promising, they add.

Murray Technology obtained a full Stock Exchange listing as an investment company in May this year. The company issued 10m of its ordinary 25p shares at 100p each.

Stanelco on target with £0.2m for year

As foreshadowed, Stanelco, the electronic and mechanical equipment company which came to the unlisted securities market in June, has turned in more than trebled pre-tax profits of £222,000 for the 12 months to June 30 1981. This compares with a forecast of not less than £200,000 and with £71,000 for the previous year which was after £60,000 litigation costs.

Turnover for the period rose from £1.04m to the forecast level of £1.16m. Expenses took £13,000 (£42,000) but licence fees and other income increased from £34,000 to £73,000.

There was a tax charge of £112,000 (£9,000 credit) and stated earnings per 10p share rose from 5.8p to 8.1p or from 2.3p to 3.2p diluted.

In June, the directors said that no dividends were intended for the 1980-81 year, but they expected to pay an interim in May and a final in November of each year in which payments were made.

LANCASTER

D. M. Lancaster has received 3.41m acceptances for its recent rights issue of 3.52m ordinary 5p shares, on the basis of two shares for every seven held at 14p. The remaining 108,373 shares were sold at a premium for the benefit of non-subscribing shareholders.

Burnett & Hallamshire climbs to £5.7m

PRE-TAX profits of Burnett and Hallamshire Holdings, the mining, oil and property concern, improved from £4.01m to £5.73m in the half-year to September 30 1981. Turnover climbed from £39.17m to £59.94m.

The net interim dividend is raised from 4.85p to 6.5p and this 34 per cent increase "expresses the directors' present intention to equalise the interim and final payments." Last year's final was 6.4p for a total of 11.25p.

Mr George Helsby, the chairman, says: "Looking ahead, I would like to reiterate the confidence expressed in my last report, which was that the strength of the company's management and the degree of commitment throughout the group . . . gives me confidence in predicting further substantial growth."

He says progress within the mining division has been excellent, but the property division has experienced mixed fortunes with home demand weak. There are signs, however, that demand for industrial property is beginning to improve.

Good progress has been made overseas. In the oil division sales volumes delivered were well ahead of the national trend, and profits showed an improvement on the corresponding period last year.

Exploration projects in the Philippines and Chile are progressing well and should lead to the establishment of substantial operations in the near future.

First half tax was down from £2.09m to £1.99m. After extraordinary debits this time of £174,000, attributable profits were up from £1.92m (including minority debits of £10,000) to £3.57m. Stated earnings per 25p share rose from 22.26p to 34.6p.

● comment

Stripping out £750,000 for recent acquisitions, Burnett and Hallamshire shows an underlying 25 per cent advance at the pre-tax level. Although credible, this is something of a slow-down for this high-flyer which has recorded a 32 per cent compound rate of profits growth in the past 10 years. Hemmed in by stagnant prospects for independent UK opencast coal miners, B. and H. has been pursuing a strenuous acquisition policy. Between March and October this year the company committed £15m in cash and £40m of new equity in a series of deals which widen its international activities, notably in coal in Pennsylvania and South Africa. For the first time in years the balance sheet is now geared up to about 30 per cent, mainly to begin exploiting Pennsylvania coal. The new acquisition should boost second half profits, which are generally seasonally stronger, to about £12m, nearly double last year's results. Unchanged at £10 the shares offer a prospective fully-taxed p/e of around 15 and a yield of about 2 per cent. The question now is whether B. and H. can keep up the pace.

Dawson 11.5% ahead at midway

MARGINS REMAINED under pressure at Dawson International, the textile group, during the half year to September 30 1981. However, an increase in interest receivable from £349,000 to £1.05m enabled the group to achieve pre-tax profits 11.5 per cent higher at £9.14m on turnover 15 per cent ahead at £95.44m.

Mr Alan Smith, chairman, explains that the rise in interest receivable reflects a further improvement in group liquidity. He reports that trade worldwide has not been easy but while many overseas markets are still difficult there are a few showing potential growth.

The net interim dividend per 25p share is effectively held at 2p. Last year's total payment was equivalent to 5.5p on profits of £20.67m.

Tax for the six months took £3.42m against £3.07m and the net balance advanced from £5.12m to £5.72m.

● comment

A sales gain of 15 per cent has brought little improvement to Dawson International's profit before allowing for higher interest receipts. Business conditions remain very tough both at home and overseas, where the German market is doing noticeably less well than a year ago. Dawson is pushing for improved productivity, and has generated annual energy savings of perhaps £½m in the last few years. This approach, plus a rock solid balance sheet, explains the yield of just over 6 per cent at 130p.

BMK TRADING

The joint receivers at BMK have extended the period for which they will trade to give interested parties enough time to formulate offers. The present orders for carpet will ensure production into February 1982.

Crosby Woodfield at £55,000

In the first half ended September 30 1981 Crosby Woodfield made taxable profits of £55,000, after incurring losses last time of £141,000 and breaking even in the last 12 months. Turnover however, fell from £5.04m to £3.29m.

The interim dividend of this holding company with interests in manufacturing springs, spring units, and spring making and assembly machines, is again being missed; last year a single distribution of 0.05p net per 10p share was paid.

The first half improvement was helped by lower interest charges of £28,000 (£127,000) and higher investment income of £34,000 (£29,000). The directors say that during the half year the group no longer carried the burden of its unprofitable merchanting companies.

Tax took £33,000 (nil).

Pace slackens but Causton stays ahead

ALTHOUGH second half pre-tax profits of Sir Joseph Causton and Sons fell from £322,000 to £284,000, figures for the full year to September 30, 1981 improved from £824,000 to £886,000. The final dividend is raised from 1.2275p net to 1.35p—last year's total was 2.0111p.

Seventy per cent of the group's profits were made in the first half, and the directors say the reduction in the second half was largely due to losses at Sir Joseph Causton and Sons (Eastleigh). As a result of this, there have been more redundancies.

Turnover of the group, a lithographic and letterpress printer and stationer, rose from £14.25m to £14.94m, less material content of £4.61m (£4.1m). Tax was down from £321,000 to £144,000, leaving attributable profits higher at £677,000 (£262,000), after extraordinary debits of £65,000 (£241,000). Stated earnings per 25p share increased from 4.8p to 7p.

As at September 30, 1981 the group had no short-term debt, £65,000 on deposit and £141,000 in cash. It has a medium-term loan of £425,000 raised to pay for the acquisition of Hunkydory Designs.

The board says that following the excellent performance of this new division, there is a further £217,000 due to the vendors of Hunkydory under the terms of the acquisition. The total consideration for Hunkydory is £893,000.

Dundee & London exceeds £1m

Gross revenue of Dundee and London Investment Trust edged ahead from £1.12m to £1.14m for the 12 months to October 31 1981 and pre-tax profits emerged marginally higher at £1.07m, compared with £993,363.

Tax took £365,163 (£317,079) and stated earnings per 25p share improved to 4.11p (3.94p). The net total dividend is being increased from 3.85p to 4p by an increased final of 2.75p.

Net asset value per share is given as 111p, against 108p.

HELLENIC LOWER

Pre-tax revenue of Hellenic and General Trust, the wholly owned subsidiary of Hambros, fell from £853,000 to £770,000 in the six months to September 30 1981.

Tax for the period absorbed £345,000 (£409,000), there were no gains on portfolio investments this time, compared with £26,000 a year ago, but there were extraordinary credits of £125,000 (nil).

GREENBANK TST.

Net asset value of Greenbank Trust, a subsidiary of Malton Financial Services, at June 30 last was up at 113.5p, compared with 104.25p 12 months earlier. Gross investment income for the first half of 1981 slipped from £28,616 to £24,476.

The trust proposes to change its year-end to March 31 1982 as its principal operating subsidiary began trading in March 1981.

WINTERTHUR

Winterthur Swiss Insurance Company intends to compulsorily acquire the outstanding shares of Provident Life Association of London. This follows sufficient acceptances being received for both the new ordinary offer and the new preference offer made on September 30, 1981.

NEW FORCE IN GERMAN TELECOMMUNICATIONS

AEG hive-offs bring in Dm 700m

BY KEVIN DONE IN FRANKFURT

AEG-TELEFUNKEN, Robert Bosch and Mannesmann have reached agreement on the formation of a major new force in the West German telecommunications industry in a complex deal which is expected to provide around DM 700m of fresh funds for the loss-making AEG group.

The venture is receiving additional financial backing from West Germany's three largest banks, Deutsche Bank, Dresdner Bank and Westdeutsche Landesbank, as well as from Allianz, the country's largest insurance company, which have agreed to take equity stakes in parts of the venture.

All four institutions have already played a major role in the DM 1.7bn rescue operation mounted during the last two years by the West German financial and industrial community to save the AEG group and its 130,000-strong workforce from collapse.

AEG said yesterday that it would realise extraordinary profits of around DM 400m from the deal — the difference between the estimated DM 700m cash it will receive and the book value of the outgoing assets. This sum, together with the DM 240m that AEG's banks have agreed to write off their outstanding loans to the group, is needed by AEG to cover expected losses of more than DM 600m in 1981.

Attempts to put together the telecommunications joint venture have for months been at the centre of AEG's struggle for survival. Its strategy has centred on the search for industrial partners to both strengthen its shaky finances and to share the enormous research and development costs needed to ensure a presence in the electronics growth markets of the future.

For the Stuttgart-based Robert Bosch group the venture marks important diversification. It is putting an estimated DM 500m into the various parts of the deal.

Bosch is dependent for 62.5 per cent of its DM 13bn turnover on automotive components and it is anxious to enter new markets which promise strong future growth. It currently has around DM 500m sales in electronics areas which are of direct relevance to the new telecommunications joint venture.

Mannesmann is also joining the venture as part of its diversification into electronics which has included in the past two years the takeovers of 50 per cent of the Kienzle data processing company, 82.4 per cent of Hartmann und Braun, the makers of measuring and control equipment, from AEG and acquisition of Tally in the U.S.

The centrepiece of the joint venture will be AEG-Telefunken's existing telecommunications and cable systems division which is based near Stuttgart.

This division, which is one of the profitable parts of AEG, includes activities such as systems management of space projects for communications satellites, complete earth stations and satellite equipment, optical fibre cable systems, transmission systems and mobile and stationary radio systems.

Mannesmann and Bosch are each taking 20 per cent of this AEG division, which is being established as an independent company and the activity is being strengthened by the participation of the Allianz insurance group with 9 per cent. AEG will retain 51 per cent.

Venture	Before	After
Telefonbau	AEG 41% Outside holders 59%	Telenorma 41%* Outside holders 59%
Olympia	AEG 100%	AEG 51% Bosch plus banks 49%†
AEG-Telefunken Nachrichtentechnik	AEG 100%	AEG 51% Bosch 20% Mannesmann 20% Allianz 9%

CHANGES IN SHAREHOLDINGS IN THE THREE COMPANIES

* Holding company controlled 75% by Bosch and 25% by AEG.
† Holding company controlled 40% by Bosch and 20% each by Deutsche Bank, Dresdner Bank and Westdeutsche Landesbank.

Mannesmann is believed to be paying around DM 100m for its stake.

In a related move Bosch and the three banks, Deutsche, Dresdner and West LB, are taking 49 per cent of AEG's loss-making Olympia subsidiary, the manufacturer of typewriters and office information equipment.

Olympia's DM 130m nominal equity capital is being halved and the banks and Bosch are then subscribing DM 65m of new capital, which will leave AEG holding 51 per cent of the Olympia equity. Of the minority 49 per cent Bosch will hold 40 per cent and the banks an estimated 20 per cent each through holding companies.

AEG said yesterday that in addition it is to form a joint systems planning group with Bosch and Mannesmann which will have the function of co-ordinating the three companies' interests in the joint ventures.

The final part of the joint venture centres on Telefonbau und Normalzeit, the telephone systems company in which AEG currently holds 41 per cent. This stake is to be taken over by a holding company Telenorma, in which AEG will hold only 24.5 per cent and Bosch the dominant 75.5 per cent. Telenorma will also take over AEG's option to take over a majority in T and N from the beginning of 1983.

The complete joint venture will bring AEG, Bosch and Mannesmann into direct competition with some of the world's biggest electronics groups which are already competing fiercely to ensure a presence in the rapidly growing markets for sophisticated telecommunications.

Loss for AM International

A LOSS of almost $250m is forecast by AM International, the struggling Chicago-based office equipment manufacturer, for the fiscal year ended last July, writes our Financial Staff. This compares with a profit of $4m or 47 cents a share for 1979-80.

Last month the group disclosed that it and its UK subsidiaries had defaulted on some of their bank loans, that its debts totalled some $250m and that there would be a loss of some $175m for fiscal 1980-81.

Goldsmith in $345m bid for Diamond

BY IAN HARGREAVES IN NEW YORK

SIR JAMES GOLDSMITH, whose main company is Generale Occidentale of France, has bid $345m in cash and securities for the 60 per cent of Diamond International not already owned by his affiliates.

Diamond, based in New York and with interests in timber, paper and pulp, said that the offer, from an unnamed affiliate of Sir James was $31 in cash and $21 in debentures for each Diamond share. It would be considered at a meting of directors, excluding the three designated by Generale Occidentale, one of whom is Sir James himself.

The 40 per cent of Diamond which Sir James already controls is held by Cavenham Development Corporation, one of his U.S. arms. That stake was acquired in tranches up to October. Earlier, Sir James had agreed with the Diamond board to restrict the holdings of his affiliates to 40 per cent for a five-year period.

The Diamond board will now have to decide whether to waive that agreement.

Diamond earned $24.9m on sales of $970.5m in the first nine months of this year, down from $25.9m on sales of $851.8m in the corresponding period last year. Its profits have been hit by the slump in the construction industry.

Analysts believe, however, that Sir James is more interested in the undervalued land and forest assets of Diamond than in its earnings prospects. The company owns more than 1.6m acres of timberland.

Marathon may face joint bid from Mobil

By Paul Betts in New York

Mobil is negotiating with a number of other oil companies a possible joint bid for Marathon Oil in an attempt to stay in the multibillion takeover race for the 17th largest U.S. oil company.

Mobil's current $6.5bn bid for Marathon has been blocked by a preliminary injunction issued by a Federal Court in Cleveland, Ohio, earlier this week. The judge ruled against Mobil because he claimed a Mobil merger with Marathon would violate anti-trust laws and lead to anti-competitive concentrations of petrol marketing in several States.

Although Mobil is appealing against the ruling, the country's second largest oil company is now faced with a race against the clock to prevent U.S. Steel from winning the contest for Marathon.

U.S. Steel is offering $6.4bn in cash and notes for the oil company. With the deadline for acceptance for the $125 a share cash portion of U.S. Steel's friendly offer expiring at midnight today, Mobil is desperately trying to stop Marathon shareholders from tendering their stock to the larger steelmaker.

At this stage, U.S. Steel appears to hold a strong edge on Mobil, although its offer is marginally lower. This is because of the growing doubts among investors that Mobil's bid might be opposed by the anti-trust authorities.

Mobil is thus seeking to get round its anti-trust hurdles by proposing a joint bid with another oil company which would lead to a sharing out of Marathon's assets in such a way as not to violate anti-trust laws.

Mobil yesterday confirmed it was discussing a joint bid with several other oil companies "none of which would upon action give any potential anti-trust conflicts in mid-west gasoline marketing."

Mr Herbert Schmertz, Mobil's chief spokesman, said a decision on which company Mobil would join forces would be made within the next few days. But under the current deadlines of the U.S. Steel bid, Mobil is likely to make an announcement in the next 24 hours.

Marathon retorted to Mobil's latest move by saying it sounded like "another attempt to circumvent the anti-trust order of the Federal Court in Cleveland." Marathon also appeared to win another legal round when a U.S. Court of Appeals said it would hold hearings on Mobil's appeal against the preliminary injunction in two weeks. Mobil had sought an immediate hearing. The court also denied its request for a stay of the preliminary injunction which is blocking it from buying Marathon stock.

But U.S. Steel is also at present restrained from acquiring any Marathon shares under a separate Federal Court order. Mobil won that order pending a hearing now in progress on the legality of two so-called "sweetheart options" granted by Marathon to the steelmaker by Marathon to the steelmaker in an attempt to put off Mobil from pursuing its bid. But Mobil is showing every sign it plans to fight to the finish.

Mobil's announcement that it was considering a joint bid helped boost the price of Marathon shares by about $2 as Wall Street speculated that Mobil would come back with a much higher new offer in the range of $130 to $150 compared with its current $126 cash for 51 per cent of the shares. The Marathon share price had fallen in recent sessions after the court ruling against Mobil.

Marriott lifts offer for Host

By Our Financial Staff

Marriott, the hotels and food group, has raised to $31 a share from $29 its offer to acquire Host International, whose board has agreed in principle to the higher bid. Host, the largest U.S. operator in airport catering, previously rejected a Marriott bid in favour of one from DFS of Hong Kong.

It has not yet been decided whether the planned takeover will be preceded by a cash tender offer.

Marriott also said that Host and DFS have agreed in principle to terminate the existing agreement under which DFS was to acquire Host for $29.25 a share.

Marriott's previous bid of $29 a share expired on November 24.

Marriott said it recognised DFS group's rights under existing option agreements, providing for the purchase by DFS of certain assets and 575,000 shares of Host.

The transactions are subject to a definitive accord between Host, DFS and Marriott.

DFS group originally bid $24.25 a share for Host but raised it to $29.25 after Marriott entered the bidding

Fine terms for $200m financing for Colombia

BY ALAN FRIEDMAN

NEW GROUND was broken yesterday with the award of a $200m Eurocredit mandate on very fine terms by Colombia to a group of banks led by Chase Manhattan and Chemical Bank.

The 10-year facility carries some of the finest terms ever arranged for a Latin American sovereign borrower. For the first three years the rate of interest will be ½ per cent above the six-month London interbank offered rate (Libor) and ⅝ per cent for the remainder of the credit. There will be a six-year grace period.

Bankers involved in the deal describe it as a "strategic transaction." They point out that while Colombia is suffering a growing trade deficit, the country is nonetheless able to cover its imports for the next 16 to 18 months.

Among the banks included in the management group are the Canadian Imperial Bank of Commerce, National Westminster Bank, Mitsubishi Bank, Fuji Bank and the Long Term Credit Bank of Japan.

Competition for the Colombian mandate had been keen, but the fine margins which have been revealed will make this credit an interesting transaction

Elsewhere in the Eurocredit market, the Central Bank of the Philippines has awarded the mandate on a $300m 10-year loan to a group of banks led by Manufacturers Hanover Trust. The terms will involve a range of ⅝ to ¾ per cent above Libor but final details have not yet been agreed.

In addition to the $250m 10-year credit curently being discussed for the Taiwan Power Company (Taipower), a $70m separate private loan is being worked out between Taipower and Manufacturers Hanover. The $250m credit is said to involve Crocker National of California, Chase Manhattan and other banks, and interest is likely to be at a rate of 0.375 per cent above Libor for the first seven years and ½ per cent thereafter.

Hambros Bank yesterday revealed that it is leading a A$75m eight-year credit for Mr Rupert Murdoch's News Corporation. The facility involves a spread of ⅝ per cent above Libor for the first four years and ¾ per cent thereafter. This will be the fifth time Hambros has managed a credit for the borrower, having raised $140m in the past three years through Eurocredits. The bulk of the money will be used to refinance debt in the U.S. but a sizeable portion will go to finance recent UK acquisitions such as Williams Collins and The Times group.

The Irish Republic's eight-year sterling loan has been increased to £120m from its original £100m target. The credit carries a margin of ⅝ per cent above Libor for the first five years and ¾ per cent thereafter. Lead manager is National Westminster Bank.

Debut for Bank of Scotland

THE Bank of Scotland is expected to make its first appearance in the European capital markets with the launch of a $100m 10-year floating rate note offer today. The issue, which will be managed by the Bank of Scotland, Kleinwort Benson and Goldman Sachs, is designed to build up the bank's U.S. operations.

The paper carries a minimum coupon of 5¼ per cent and a spread of ¼ per cent above the three-month London inter-bank offered rate (Libor) for the first three months, followed by a spread of ⅛ per cent above six-month Libor thereafter.

Meanwhile, the secondary Eurodollar bond market suffered its worst day this week, with prices marked down by around one point. The market's difficulties in part arise from this week's decline in the New York bond market, particularly in the long U.S. Treasury bonds. Another major reason why the market is sagging is the sheer weight of new paper. It is now clear that the market is having a digestion problem.

A case in point yesterday was the news that Texas Eastern's $100m issue, launched on Monday, had been cut to $75m. The coupon, which was originally indicated at 15½ per cent and then increased to 15¾ per cent on Wednesday, has been fixed at 15⅞ per cent, illustrating graphically the vicissitudes of the current market.

At Dillon Road, which led the Texas Eastern issue, a senior executive explained the reasons for cutting the amount, increasing the coupon and closing the deal several days ahead of schedule: "We anticipated potentially worsened conditions in view of the five-point slide in the New York long Treasury bond market."

There was also speculation last night about the Imasco $50m seven-year issue, led by Wood Gundy. The paper has not yet been priced, but is trading in the grey market at a discount of 2¼ to 1¾.

In the D-Mark foreign bond sector, the Bundesbank's cut in the special Lombard rate to 10½ per cent helped the market to recover slightly from a lacklustre opening. Prices opened down ½ point in the morning, but managed a ¼ point recovery by last night.

In Zurich, a SwFr 100m 10-year offer for Denmark was launched through Union Bank of Switzerland. The indicated coupon is 7¼ per cent.

● A $25m, 15-year Japanese convertible offer is out for Tokyu Stores, the retail group. Lead manager is Nomura Securities, and the coupon is 5¾ per cent.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobund prices which will be published next on Tuesday December 15.

Closing prices on December 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	102½	103	−0½	−1	15.79
APS Fin. Co. 17⅛ 88	60	104	104½	−0½	−1	15.89
Br. Colum. Hyd. 16⅛ 88	100	103⅞	104⅜	−0½	−0½	15.22
Br. Colum. Mfa. 17 97	54	104½	105	−0¼	−0⅜	16.14
Caterpillar Fin. 16½ 86	100	103½	104	−0¼	−1⅛	15.33
CFMP 16¾ 96	100	103½	103⅞	−0¼	−0⅜	16.13
CIBC 16¾ 91	100	104⅞	105⅜	−0½	−1	15.67
Citicorp Int. Fin 15 86	150	101	101½	−0½	−0⅜	14.64
Citicorp O/S 16¾ 86	150	105⅝	106⅛	−0½	+0⅞	14.93
Cities Service 17 88	150	103½	103⅞	−0½	−1½	15.57
Con. Illinois 14¾ 84	100	100½	102½	−0¼	−1½	14.55
Cons.-Bathurst 17½ 88	50	103⅛	103½	−0½	−0⅛	16.60
CPC Fin 16¾ 86	50	105⅛	105⅝	−0½	−1½	14.56
Dupont O/S 14½ 88	400	99	99½	−0½	0	14.68
EEC 14¾ 93	65	97⅛	97⅝	−0½	−0⅞	15.15
EIB 16½ 88	100	102⅞	103⅛	−0½	−1½	15.70
EIB 16¾ 91	100	104⅜	104⅞	−0½	−0½	15.73
Ford Cr. O/S Fin. 16 85	150	99⅞	100	−0½	+0⅜	15.93
GMAC O/S Fin. 14⅞ 87	100	98⅜	98⅞	−0⅜	−1	15.13
GMAC O/S Fin. 16½ 84	300	102½	103	−0⅜	−1	15.22
Gulf States O/S 17½ 86	60	104	108½	−0½	−1½	15.89
IBM Wld Trade 14⅞ 85	60	102½	102⅞	−0⅜	−0⅞	13.71
Nat. Bk. Canada 16½ 88	40	100⅞	101½	−0½	−0⅞	16.26
New Brunswick 17 88	80	106	106½	−0½	−1	15.41
Newfoundland 17⅜ 89	60	107⅜	107⅞	−0½	−0½	15.49
Nova Scotia 15 91	75	99½	100	−0¼	−0⅛	15.00
Ohio Edison Fin. 17½ 88	75	102⅞	103⅜	−0½	−1⅞	16.69
OKG 15¾ 97	50	98⅜	98⅞	−0⅜	−0½	15.92
Pacific Gas Elec. 16 88	75	103⅞	104⅜	−0⅜	−0⅞	14.98
PSNH Int. Fin. 17 88	30	102½	102⅞	−0½	−1⅞	16.12
Quebec Hydro. 17¾ 91	150	106⅜	106⅞	−0⅜	−0⅞	15.85
Saskatchewan 16⅛ 88	100	102½	102⅞	−0½	−0⅞	15.65
Shell Canada 15½ 91	100	103⅞	104⅜	−0½	−0⅞	14.79
South California 14¾ 88	50	101	101½	−0¼	−0⅛	14.38
Swed. Ex. Cred 16½ 93	75	102⅜	102⅞	−0½	−0⅝	15.99
Tenneco Int. 17 89	100	105½	106	−0½	−1	15.84
Transcanada 17¾ 88	75	106	106½	−0½	−1½	16.11
Transcanada 16 99	100	100⅛	100⅝	−0½	−1	15.91
Walt Disney 15⅞ 86	100	102⅞	103⅜	−0½	−1½	14.73
Wells Fargo Int 15½ 84	50	103	103½	−0½	−0⅞	13.77
Winnipeg 17 86	50	105⅞	106⅜	−0½	−1⅛	15.17
World Bank 16 86	210	102⅛	102⅝	−0½	−0⅞	15.09
World Bank 16 88	80	102⅛	102⅝	−0½	−0⅜	15.29
World Bank 16½ 88	130	103⅞	104⅜	−0⅜	−1½	15.26
World Bank 16½ 88	100	103⅞	104⅜	−0⅜	−1½	15.50
Average price changes...		On day −0½	on week −0⅞			

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99½	100½	−0½	+0½	10.00
Asian Dev. Bank 10⅛ 89	100	101⅜	101⅞	−0½	+0⅞	10.33
Austria Rep. of 8¾ 92	150	91⅛	91⅝	+0½	+1⅛	9.53
Belnelectric 11 91	100	101⅛	102	0	0	10.69
CECA 10 91	120	102⅞	103⅜	+0⅛	+2¼	9.44
Council of Europe 10 91	100	99⅞	100⅜	0	0	9.94
Cncl. of Europe 10⅛ 91	100	100⅜	101	+0½	+0⅞	10.14
EIB 8½ 90	200	94⅞	95⅜	+0⅛	+1	9.39
EIB 10½ 91	200	102⅞	103⅜	0	+0⅞	9.93
FSCOM 9¾ 87	100	94⅞	95⅜	−0½	−0⅜	10.42
Finland, Rep. of 10 89	100	98⅞	99½	−0½	−0⅜	10.15
Ind. Bk. Finland 8½ 90	50	91⅞	92⅜	0	+0⅛	9.89
Int.-Am. Dv. Bk. 10 91	100	100⅛	100⅝	0	+0⅞	9.90
Japan Air Lines 8¾ 87	100	95⅜	96	−0⅛	+0⅞	9.11
Japan Dev. Bk. 7¾ 87	100	92⅞	93⅜	−0⅛	0	9.17
Midland Int. Fin. 8½ 90	180	94⅞	95⅜	−0⅛	+0½	9.39
Mt. Bk. Dnmk. 10½ 91	100	100⅜	100⅞	+0⅛	+0⅛	10.41
Nat West. 11 91	125	104⅛	104⅝	0	+0⅛	10.26
OKB 10⅛ 91	150	100⅛	101⅛	0	−0⅛	9.98
Renault Accept. 10⅛ 86	150	100⅛	101	+0⅛	+0⅛	10.53
Swed. Ex. Cred. 10⅛ 91	100	99½	100	0	−0⅛	10.28
Venezuela, R of 9½ 90	150	94	94⅞	0	+0⅛	10.76
World Bank 11 91	100	103⅞	104⅜	−0⅛	0	10.31
Average price changes...		On day 0	on week +0⅛			

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94⅞	94⅞	+0⅛	+0⅞	7.30
BFCE 6½ 91	100	94⅞	94½	−0⅛	0	7.36
Bayer Int Fin. 5¾ 92	100	90½	90⅞	−0⅛	−0⅛	6.48
Belgelectric Fin 7¾ 91	100	102½	102⅞	−0⅛	−0⅛	7.35
Bergen, City of 6¾ 91	40	100	100⅛	−2⅛	−0⅛	6.72
CECA 6⅛ 91	80	98⅞	98⅞	0	+0⅛	6.95
Dome Petroleum 5¾ 91	100	92⅞	92⅞	+0⅛	+1⅛	6.85
Dome Petroleum 7¾ 90	100	103½	103⅞	+0⅛	+0⅞	6.68
Elec de France 5¾ 90	100	87⅞	88	−0⅛	+0⅛	7.15
Eurofima 5⅛ 92	80	93⅞	94	+0⅛	+5⅛	6.57
Finland, Rep. of 5¾ 90	80	89⅞	89⅞	+0⅛	+1⅛	7.29
Fran. Petroles 6½ 91	80	94⅞	94⅞	+0⅛	−0⅛	7.35
Genstar 7 91	100	102⅛	102⅞	+0⅛	+0⅛	6.64
Int. Amer. Dv. Bk. 7 91	100	99	99⅞	+0⅛	+1	7.12
I/S Elsam 8½ 91	60	104⅛	104⅞	−0⅛	+0⅛	7.84
Japan Dev. Bank 5¾ 90	100	95	95⅞	+0⅛	+2	6.47
Mt. Blanc Tunnel 5½ 90	60	87½	88	0	−0⅛	7.46
Neder. Gasunie 8 91	100	105⅛	105⅞	+0⅛	+0⅛	7.17
OKB 7 93	100	99	99⅞	−0⅛	−0⅛	7.11
Oslo, City of 8 91	100	104⅛	105	+0⅛	−0⅛	7.29
Swed Ex. Credit 7⅛ 91	75	97⅞	97⅞	−0⅛	+0⅛	7.60
Trade Dev. Fin. 6⅛ 90	50	90⅛	90⅞	+1⅛	+0⅛	7.62
Voest-Alpine 5¾ 90	80	87½	88	0	+0⅛	7.71
World Bank 6 91	100	92½	92⅞	+0⅛	+2	7.11
World Bank 7 90	100	100	100⅛	−0⅛	−1⅛	6.97
World Bank 8 91	100	104⅛	105⅛	+0⅛	+0⅛	7.27
Average price changes...		On day 0	on week +0⅛			

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	99⅛	100⅛	0	+1⅛	8.24
Australia 6½ 88	20	89⅞	90⅞	0	+1⅛	8.60
EIB 7⅛ 89	12	97⅞	98⅞	0	+0⅛	8.17
Finland 6 8 88	10	90	91	0	+1⅛	8.81
Finland, Rep. of 8⅛ 87	15	98⅞	99⅞	0	−0⅛	3.53
New Zealand 8⅛ 87	15	99⅞	100⅛	0	0	8.27
Average price changes...		On day 0	on week +0⅛			

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 C$	60	†96⅛	97⅛	0	0	14.58
CIBC 11½ 85 C$	60	†92½	93⅛	+0⅛	0	14.03
Federal Dev. 11½ 90 C$	60	†83	84	−0⅛	+1⅛	14.99
Federal Dev 17⅛ 86 C$	40	†106	107	0	+0⅛	15.72
Fst Can. Inv. 10 84 C$	50	†89	90	0	−0⅛	15.37
GMAC (Can.) 18 87 C$	60	†103½	104⅛	0	−0⅛	16.82
Tordom Cpn. 13⅛ 85 C$	30	†96⅛	97⅛	0	0	14.56
M. Bk. Dnmk. 9 91 EUA	25	80½	82	−0⅛	+0⅛	12.37
SOFTE 8⅛ 89 EUA	40	78⅞	79⅞	+1⅛	+1⅛	12.83
U. Bk. Nwy. 9½ 90 EUA	18	88	89½	+0⅛	+1⅛	11.68
Algemene Bk. 10⅛ 86 Fl	60	97⅛	97⅞	−0⅛	+0⅛	10.95
Amfas Group 12½ 85 Fl	40	100	100½	−0⅛	+0⅛	12.17
Amro Bank 12 85 Fl	75	102⅛	102⅝	0	+0⅛	11.26
Amro Bank 12 86 Fl	60	100⅞	101⅛	−0⅛	0	11.74
Heineken NV 10 87 Fl	100	94⅞	95⅛	−0⅛	+0⅛	11.19
Pierson 10½ 86 Fl	50	95⅛	96⅛	0	+0⅛	11.57
Rabobank 12 86 Fl	50	100⅛	101⅛	−0⅛	+0⅛	11.86
Air France 14½ 86 FFr	200	91⅞	92⅞	0	+0⅛	17.02
Bk. America 14½ 85 FFr	250	92⅞	93⅛	+0⅛	+0⅛	16.65
Charb'nages 13⅞ 85 FFr	400	90⅞	91⅞	0	+0⅛	16.93
EIB 14⅛ 88 FFr	300	88⅞	89⅞	0	+0⅛	17.25
La Redoute 14⅛ 85 FFr	125	90½	91½	0	+0⅛	17.64
OKB 14 88 FFr	400	91⅛	92⅛	0	+0⅛	16.79
Solvay et C. 14⅛ 86 FFr	200	91⅛	92⅛	0	+0⅛	17.43
Swed. E. Cr. 14⅛ 86 FFr	250	91½	92½	0	+0⅛	17.29
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	0	17.23
Acona 14 85 £	20	91½	92⅛	+0⅛	−0⅛	15.93
Beneficial 14½ 90 £	20	84½	85⅛	0	−0⅛	17.63
BNP 13⅞ 91 £	15	85⅛	86⅛	+0⅛	+0⅛	16.59
CECA 13⅛ 88 £	20	90⅛	91⅛	+0⅛	+0⅛	15.77
Citicorp O/S 13½ 90 £	50	90⅛	91⅛	+0⅛	+0⅛	15.43
Fin. Ex. Cred. 13⅛ 86 £	15	92⅛	93⅛	+0⅛	+0⅛	15.91
Gen. Elec. Co. 12½ 89 £	50	87⅛	88⅛	0	0	15.27
Hiram Walker 14⅛ 86 £	25	94⅛	95⅛	0	0	15.84
Privatbanken 14½ 88 £	12	93	94⅛	+0⅛	+0⅛	16.11
J. Rothschild 14½ 90 £	12	93⅛	95⅛	+0⅛	+0⅛	15.34
Royal Trustco 14 86 £	12	94⅛	95⅛	+0⅛	+0⅛	15.72
Swed. Ex. Cr. 13⅛ 86 £	20	92½	93½	0	+0⅛	16.06
Akzo 9⅛ 87 LuxFr	500	86⅛	87⅛	0	−0⅛	12.55
Euratom 9⅛ 88 LuxFr	500	86½	87½	+0⅛	−0⅛	12.95
Eurofima 10½ 87 LuxFr	500	89⅛	90⅛	+0⅛	+0⅛	13.12
EIB 9⅛ 88 LuxFr	600	85⅛	87⅛	+0⅛	+1⅛	13.03
Volvo 9⅛ 87 LuxFr	500	85⅛	86⅛	0	+0⅛	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅞	100⅛	18/12	16⅛	16.77
Bank of Montreal 5¼ 91	0¼	100⅛	100⅝	28/4	17.06	17.03
Bk. Nova Scotia 5¼ 93	0¼	100⅛	100⅝	29/4	17.06	16.93
BBL Int. 5 86	0¼	99⅞	100⅛	20/5	13⅛	13.50
BFCE 5¼ 88	0¼	100⅛	100⅝	26/4	16.94	19.88
Christiania Bk. 5½ 91	±0¼	99⅛	99⅝	5/2	15.56	15.64
Co-Ban Eurofin 5½ 91	0¼	98⅞	99⅛	14/4	16.69	16.83
Den Norske Credit 6 90	0¼	99⅛	99⅝	5/2	15.56	15.66
Genfinance 5¼ 87	0¼	100⅛	101⅛	30/4	17.06	16.87
Genfinance 5½ 92	0¼	99⅛	100⅛	30/12	18.31	18.34
Giro und Bank 5¼ 91	±0¼	99½	100	23/12	17½	17.54
GZB 5¼ 92	±0¼	98⅞	99⅛	6/12	17⅛	17.42
Ind Bank Japan 5¼ 88	0¼	100⅛	100⅝	9/4	16⅛	16.62
Ind. Bank. Japan 5¼ 88	0¼	99	99⅛	9/5	13.31	13.41
Lloyds Eurofin 5¼ 92	50¼	98⅞	99⅛	4/12	17.44	17.59
Lloyds Eurofin 5¼ 93	§0¼	100⅛	100⅝	29/4	17.13	17.04
LTCB Japan 5¼ 89	0¼	99½	100	16/1	18.32	18.36
Midland Int. Fin. 9 91	0¼	100⅛	100⅝	30/4	17.06	16.99
Nacional Fin. 5½ 88	0¼	98⅞	99⅛	25/3	17.31	17.51
Nat. Bk. Canada 5¼ 88	0¼	100	100½	24/3	17.31	17.27
Nat. West. Fin. 5¼ 91	§0¼	99½	100	15/1	18⅛	18.17
Nat West. Fin. 5¼ 92	§0¼	100⅛	100⅝	23/4	17	16.92
Nordic Int. Fin. 5½ 91	0¼	99⅛	99⅝	6/5	15⅛	15.70
Pemex 6 91	0¼	98⅞	98⅞	8/4	17	17.24
Pemex 5¼ 88	0¼	98⅞	99⅛	14/2	18.81	19.08
Seawr Int. Fin. 5¼ 88	0¼	99⅞	100⅛	24/3	17⅛	17.23
Sec. Pacific 5¼ 91	0¼	99⅛	99⅝	24/5	13⅛	13.33
Societe Generale 5¼ 91	0¼	99½	100	22/1	18⅛	18.67
Sparebanken 6 87	0¼	98⅞	99⅛	19/12	16.81	16.58
Standard Chart. 5¼ 91	0¼	99⅛	99⅝	18/5	13.31	13.45
Sumitomo Fin. 5½ 88	0¼	100⅛	101⅛	8/2	19.56	19.39
Average price changes...		On day −0⅛	on week −0⅛			

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5½ 96	7/81	933	98½	100	−0⅛	1.29
Bow Valley Inv. 8 95	4/81	23.12	102⅛	103⅞	−2⅛	16.05
Canon 6⅛ 95	1/81	829	113	115	+0⅞	7.04
Daiwa Secs. 5½ 96	12/81	539	86	88	+1⅛	7.50
Fujitsu 4½ 96	10/81	870	100⅞	102⅛	+2	6.52
Furukawa Elec. 5⅛ 96	7/81	300	123	124½	+0⅛	0.13
Hanson O/S Fin. 9½ 96	8/81	2.74	181	92	+1	−2.58
Hitachi Cred. Cpn. 5 96	7/81	1966	98⅞	100⅞	−0⅛	11.48
Inchcape 8 95	2/81	4.56	163½	65	−0⅛	16.29
Kawasaki 5½ 96	8/81	229	82⅛	83⅛	+1⅛	5.75
Marui 6 96	7/81	931	103⅛	105	+1⅛	−1.86
Matsushita El. 7½ 95	11/80	590	98⅞	99⅞	+1⅛	2.89
Minolta Camera 5 96	10/81	909	78⅞	78⅞	+1⅛	7.25
Murata 5⅛ 96	7/81	2190	81½	83	+0⅛	20.61
NKK 6½ 96	7/81	188	98⅛	98	+2⅛	−3.88
Nippon Chemi-C 5 91	10/81	929	78⅞	80⅛	+0⅛	3.43
Ricoh 6⅛ 95	8/80	604	114⅛	116⅛	+3⅛	7.43
Sanyo Electric 5 96	10/81	652	82⅛	84⅛	+2⅛	18.46
Sumitomo Met. 5⅛ 96	10/81	305	82⅛	83⅞	+1⅛	3.56
Swiss Bk. Cpn. 6⅛ 90	8/80	200	†81	83	0	24.52
Taylor Woodrow 8⅛ 90	1/81	4.94	†80½	81½	+0⅛	−0.97
Transco Int. 8⅛ 95	2/81	68	†82½	84	−1	30.89
Tricorp 8½ 95	12/80	31.25	†76	77½	−0⅛	39.04
Union Bk. Switz. 5 89	2/80	70.79	†89½	90½	0	13.77
Sharp Cpn. 6½ 88 DM	8/80	591.8	171⅞	173½	+5⅛	0.85
Uny Co. 6½ 86 DM	11/79	879.3	†105	106	−0⅛	−1.07

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

ITALIAN COMPANIES FACE TIGHTER CONTROLS

Last days for 'creative' accounting

BY JAMES BUXTON IN ROME

THE HEADLINE in La Repubblica said that Montedison had made a profit. Il Giornale said the chemical company had exactly broken even. La Stampa said it had finished heavily in the red, but with reduced losses. That is how three Italian newspapers interpreted *Montedison's 1979* results when they were announced last year.

Each newspaper was right. The first had taken the results of the whole group, the second those of the parent company—a common source of confusion with big Italian concerns. The *third had disentangled* from the parent company's profit and loss account a capital gain made on the sale of subsidiaries—an item which, in Britain for example, would not have been there—and subtracted it from the final figure.

The accounts of those Italian companies which publish figures at all are all too often a source of confusion and mystification. Companies can present evidence of a striking transformation in their affairs simply by the deft transfer of an item from one category to another. The reason is that Italian companies, with a few honourable exceptions, do not follow international accounting principles and do not have their accounts signed by external auditors.

All this is changing rapidly. From next year, publicly quoted companies above a certain size *must produce audited accounts* to satisfy the Consob, the stock exchange regulatory authority. Smaller companies will follow suit up to 1985, by which time all publicly quoted companies will have to comply. That, however, will cover only about 150 concerns, so small is the stock exchange. Over the same period, State-owned companies must also conform, as well as publishing houses.

Meanwhile, Parliament is discussing a law which, when it comes into force, will require all Italian companies to produce certified accounts to a uniform set of principles within five years of the law being passed—which ought to be next year. This will bring Italy into line with the fourth directive of the EEC, which it is supposed to implement by next year.

These two developments should gradually revolutionise the whole presentation of the affairs of Italian companies. It will particularly affect the big state-owned groups which, because of the absence of consolidated balance sheets, have been able to claim impressively high *levels of turnover* thanks to the double counting of transactions between subsidiaries.

It will mean that large privately-owned groups will have to come into the open. The head of the big Ferruzi trading and industrial group, asked what its consolidated sales figure was, replied recently: "*For that sort* of thing, we don't have time."

It will also mean a boom for internationally known auditors in Italy and a manifold enlargement of the auditors' profession.

Italian company accounts were never intended to present, as audited accounts should, a "true and fair view" of their affairs. Though double-entry book-keeping was invented in Italy in the fourteenth century, accounting did not develop in Italy at the time it did in other countries during the nineteenth century. The main reason was *that the civil legal code, based* on the Code Napoleon, prescribed in detail what company accounts had to show with a view to tax assessment.

Things began to change, however, with the advent of the Common Market and its fourth *directive, the introduction of* value-added tax in Italy in 1974, and the growing internationalisation of Italian companies. The Consob already requires quoted companies to produce accounts—but they need only be signed by so-called statutory auditors, employed by the company, who certify that the accounts submitted square with the company's books. What happens in the company's books is the company's affair.

But already a dozen or so important Italian companies are producing certified accounts regularly.

Montedison this year produced consolidated accounts for 1980 and Price Waterhouse has *made an English version of* them which the company has published. It uses American terminology and presents the figures in dollars. The dollar figures are a great improvement, avoiding the almost unimaginable billions of lire that usually blur the comprehension of Italian corporate affairs.

British and U.S. auditing firms, such as Price Waterhouse, Arthur Andersen, Peat Marwick Mitchell and Touche Ross are expanding fast. Hitherto, these firms were used mainly for special valuations and audits when Italian companies wanted to obtain foreign loans or sell subsidiaries to foreigners, or on other such occasions. They also audited *subsidiaries of foreign* companies.

Now the number of auditors in Italy is expected to rise over the next *few years from about* 1,400 today to 6,000. There are uncertainties as to how the new recruits to the profession will be trained, and how the existing accounting profession will react to its new brothers.

However, like so many Italian institutional changes, this one will almost certainly be going off at half cock. Because Parliament has not passed the necessary law, the big publicly-quoted *companies will be producing* certified accounts next year without there being any code of generally accepted accounting principles in Italy. The civil code has also yet to be changed.

The parliamentary committee considering the issue has so far refused to accept the principle of consolidated accounts, and has rejected any inflation-accounting system. Within the scope of the EEC *fourth* directive, individual countries must decide to whom the new accounting procedures will apply, as well as a large number of other questions. So far, *however, these choices have not* been made.

There could therefore be wide differences of approach when in 1983 certified accounts for the biggest Italian groups appear in force. They will be consolidated, but they may still be distorted by the common *anomaly of putting capital gains* into the profit and loss account. But the important point is that the affairs of Italian concerns will become easier to comprehend an that the momentum of generally accepted accounting principles is under way.

Dr Hans Friderichs, managing board chairman of Dresdner

Dresdner forecasts dividend

By Stewart Fleming in Frankfurt

DRESDNER BANK, West *Germany's second* largest commercial bank, will be able to pay a dividend for 1981 even though it is expecting a third consecutive year of declining profits as a result of the provisions it is having to make against credit risks and losses on gold trading.

This was confirmed yesterday by Dr Hans Friderichs, the bank's chief executive, in a report covering the opening 10 months of the German parent company, Dresdner Bank AG. Dr Friderichs did not indicate what the profits outlook was for the Dresdner group, which at the end of 1980 had a business volume of DM 159bn ($71.7bn) compared with DM 78bn for the German parent.

The figures in the interim report include the bank's interest and commission earning operations, but not trading activities and end of year items such as loan loss provisions and securities valuations.

They show that after a decline in profits over the past two years from DM 223m in 1978 to DM 155m last year (after drawing on hidden reserves) falling German interest rates and more profit conscious management are contributing to an improvement in underlying profits.

For the 10 months, interest earnings were up 8.7 per cent at DM 1.4bn while commission earnings were 18 per cent higher at DM 578.3m.

But Herr Friderichs made it clear that extraordinary items to be brought into the accounts at the end of the year will be a considerable burden on profits.

These will include provisions and reserves against loan losses on its lending, including a special reserve against its commitment to the troubled electrical group, AEG-Telefunken, and against its committment in Poland.

Dr Friderichs was not prepared to predict whether the dividend would be held at the DM 6 per share to which it was reduced last year from the earlier DM 9. But he stressed that in comparison with both 1980 and 1981, the bank is looking at the profits outlook for 1982 with confidence.

The improving trend in interest earnings reflects to a large extent the bank's efforts to improve interest margins. It has cut its fixed interest loan portfolio by DM 3bn this year

France spells out plans for Empain-Schneider

BY TERRY DODSWORTH IN PARIS

THE FRENCH GOVERNMENT has drawn up plans for a far-reaching reorganisation of Empain-Schneider, the large but ailing engineering group, whose financial problems threaten the future of many thousands of jobs.

The Government's move is aimed mainly at stemming the accelerating losses in Empain's *steelmaking and machine* tool subsidiaries. But it will also help to strengthen the position of the group's shipbuilding division, while assuring State control over its nuclear power interests.

Discussions with Empain, which has a workforce of 125,000 and sales of FFr 40bn ($7bn) have been under way since the Socialist Government came to power in the summer. *State intervention of some kind* was inevitable, partly because of the 35 per cent stake in the group held by Paribas, the banking, financial and industrial group now being nationalised, and partly because the Socialists had promised to take control of all the country's main nuclear activities.

The situation came to a head, however, when Empain announced plans to merge Creusot-Loire, its main engineering subsidiary, with Framatome, the nuclear plant manufacturing company. This move was aimed at giving Creusot-Loire, which has incurred losses of FFr 1bn ($179m) since 1978, direct access to the profits which are expected to flow over the next *four* years from France's nuclear power programme.

While rejecting this plan, the Government has been forced to help with the group's financial problems because of the threat to jobs. Four main measures are to be undertaken:

● Metallurgique de Normandie (SMN), the special steels subsidiary, is to be taken over in a provisional management arrangement by Usinor and Sacilor, the two publicly-owned steel manufacturers. It will probably be hived-off to one or the other of these two larger companies when the final arrangements for the whole of the French steel industry are decided early next year.

With SMN running up losses of around FFr 400m this year, and heavily in debt, this take-over will probably cost the Government around FFr 1.5bn.

● The group's shipbuilding interests in France-Dunkerque are to be joined up with those of the La Ciotat yards and Construction Navales et Industrielles de la Mediterranee (CNIM). The aim is to creat a joint company including all the present shareholders (La Ciotat is owned by Lebanese and Kuwaiti interests, and CNIM by a private French concern), with a possible State participation. This will create a group of about 11,700 workers with a turnover of around FFr 3bn.

● Ernault-Somua, Empain's machine tool subsidiary, which posted a FFr 58m deficit last year, is opening negotiations on a merger plan with Hure and CIT-Alcatel's Graffenstaden subsidiary. This project forms part of the Government's wide plans for the reorganisation of the machine tool industry.

● The Government is to increase the State shareholding in Framatome, through the Atomic Energy Commission, to 34 per cent. This will give the State control over decisions taken by the nuclear company, while allowing Creusot-Loire some access to its profits.

The effect of all these arrangements will be to give Creusot-Loire the chance to re-establish its position on the base of its healthy engineering activities. It is expected that the Empain group will inject about FFr 200m of fresh capital over the next few months.

Dassault print plan put to state

BY DAVID WHITE IN PARIS

M MARCEL DASSAULT, the 89-year-old aircraft manufacturer whose main company is coming under French State control, has proposed to the Government that it join him in a venture to take over part of a bankrupt printing group.

He has said he is ready to take a 49 per cent stake in the Paris print works of the Lang group, on condition that the public-sector Societe Nouville d'Entreprises de Presse (SNEP) take the remainder.

Lang, which has been subject to "judicial settlement" since January, after filing a bankruptcy petition, is the printer of M Dassault's glossy magazine, Jours de France.

The offer comes after a series of last-minute reprieves for the printing company, which currently employs about 850

A takeover plan put forward early in the year by Bertelsmann of West Germany, involving heavy redundancies and closure of part of Lang's activities, fell through. The commercial court decided in September *to allow Lang a final delay*, expiring on December 15, in order for the Government to put forward a rescue plan.

Daimler-Benz expects to maintain profits

BY OUR FRANKFURT STAFF

DAIMLER-BENZ, the West German motor group, expects turnover to rise by around 10 per cent this year to more than DM 35bn. Despite setbacks in South America and in parts of its domestic commercial vehicles operations, group profits should at least match last year's DM 711m after tax, but excluding extraordinary pension fund items.

Sales in 1981 are being boosted by the inclusion for the first time of Mercedes-Benz Espana, with sales of around DM 500m, and by the consolidation for the final five months of Freightliner, the U.S. truck maker acquired earlier this year, with sales of DM 500m.

At the same time high interest rates have helped underpin profits through interest earnings on liquid funds which totalled more than DM 4bn at the end of last year, Daimler said yesterday.

Car sales in Germany fell by 3.3 per cent in the first 10 months to 210,249, but Daimler has performed better than the overall domestic car market, where new registrations were down by 5 per cent from Janury to October.

Daimler's share of the domestic car market has increased slightly to 10.4 per cent from 10.2 per cent a year earlier, but more important has been the *shift* in demand towards higher-priced models at the top end of the Mercedes-Benz range, which has enhanced margins.

The company expects car deliveries to the home market to equal last year's level of 240,000, while car exports have jumped to nearly 200,000 from 188,000 in 1980.

Car output overall has risen this year by more than 4 per cent to 440,000 units. Sales in *the U.S. have* increased by 11 per cent to 60,000, despite the continuing recession. Demand in several important European markets has also strengthened, particularly in France, where sales rose by 14 per cent and Italy and UK where there was an 18 per cent rise.

Car sales in Japan have risen by 30 per cent to 3,700 units in the first nine months, but Daimler has suffered from fall*ing demand in some smaller* European markets, such as Austria and Belgium.

In commercial vehicles, which account for more than 50 per cent of group turnover, Daimler-Benz has run into serious problems in South America and again it has been forced temporarily to stop production in Brazil in order to reduce bloated stock levels. Output was stopped for six weeks in the summer.

Production of trucks and buses in Brazil and Argentina has fallen to around 56,000 units this year from 70,000 in 1980. Lower South American profits have, however, been balanced by improved North American earnings.

In West Germany output has been hit by weak demand for light commercials and production of commercial vehicles overall is expected to fall to 196,000 *units from 203,000 last* year. Yet heavy truck production has been increased on the strength of overseas markets, notably from oil producing countries.

Capital expenditure is expected to continue at a level of some DM 2bn a year to 1986. The group has increased its domestic workforce by 3,000 to around 148,000 giving a world total of 188,000.

Record sales at Degussa

BY OUR FRANKFURT CORRESPONDENT

DEGUSSA, the West German chemicals and metals company achieved world wide sales of DM 10bn ($4.5bn) for the first time in its year to September 30. But profits came under heavy pressure in the second half of the year and there are no signs yet of an improvement in the current financial year.

In an interim report the company said that although world turnover increased by 16 per cent compared with the previous year this was entirely because of increased exports and sales by foreign companies in the group.

Metals prices play a significant role in determining group sales and lower returns there thus contributed to the weak second half sales pattern.

But the company says it will be able to report satisfactory results for the year as a result of higher distributed surpluses *from subsidiaries and a much* lower tax liability because of the impact of falling precious metals prices on stocks. Last year profits rose by DM 18m to DM 68m and a DM 9 a share dividend was paid.

Finmeccanica turnover up

BY RUPERT CORNWELL IN ROME

FINMECCANICA, the engineering arm of IRI, the Italian State-owned conglomerate, is expecting an increase in sales this year to L4,500bn from the L3,783bn registered in 1980. Of this years' *turnover, 44 per cent will arise* abroad.

Announcing details of its 1980 performance, Finmeccanica, *whose interests range from the* Ansaldo nuclear engineering concern to Alfa Romeo, the car manufacturer, said that its overall 1980 deficit narrowed to L142bn. It blamed the loss primarily on inadequate capital, which obliged it to borrow funds at home and abroad at punitive interest rates.

Orders booked last year rose 14 per cent from 1979's levels to reach L4,088bn, while investment in new plant climbed to L198bn from L153bn in 1979. According to the group research and development spending totalled L220bn.

● Iveco, the heavy vehicle unit of Italy's largest car maker Fiat plans to lay off 10,000 workers for three weeks in the first quarter of 1982.

Mary Sedor in Rio de Janeiro reports on Varig, the Brazilian international airline

Profits slump after heady growth

BEGINNING IN 1927 as a 270-km state-owned air shuttle linking the southern port cities of Porto Alegre, Pelotas and Rio Grande, Brazil's Varig is today one of the largest privately-owned commercial airlines in the world. Its 261,000-km network serves 27 countries on five continents. In 1980, a Varig plane landed nearly every six minutes on air strips in 56 countries around the world.

"We find it a good position," says Harro Fouquet, superintendent of economic planning for Varig. Today Varig is 20th among the International Air Transport Association's 104 members in passenger km flown, the indicator considered by the industry to be the most important measure of air travel. In 1980 Varig ranked 16th among IATA members in km flown, 17th in hours flown, 15th in freight tons carried and a less impressive 23rd for passengers carried.

"Most of our passengers travel long distances compared to the world-wide average," explains Mr Fouquet on the disparity between the distances Varig flies and the number of passengers it carries.

But after the heady growth of the past decade, Varig is facing in the 1980s an industry-wide slump in traffic and skyrocketing costs which, when combined with world and domestic economic factors, have eroded what was until recently an ample profit margin.

Varig's traffic last year grew just 6.3 per cent, down substantially from 1979's impressive 14 per cent growth in demand for services. Recovery is unlikely this year—Varig carried an average 11,540 passengers per day in the first semester of 1981, down 600 from last year's 12,140 per day average for the same period.

Just as disconcerting, Varig's passenger-load factor has entered a downward spiral since 1979 when Varig planes flew on average 70 per cent full. Last year's 63.6 per cent passenger-load factor caused Varig's Iata ranking in that category to drop a full 14 places—from 14th in 1979 to 28th in 1980.

Even demand for Brazil's most utilized domestic service, the Rio-Sao Paulo air shuttle operated by Varig in a pool with Brazil's three other airlines, and widely considered a thermometer of the sector's activities, has dropped 10 per cent in the first nine months of 1981, he said.

Besides slackened demand, Varig faced in 1980 a two-thirds drop in its profit margin due primarily to fuel increases, internal inflation of triple-digit proportions, and the December 1979 30 per cent maxi-devaluation of the cruzeiro, effects of which were not felt until early last year.

Fuel jumped from an already hefty 25 per cent of Varig's total operational costs in 1979 to fully one-third in 1980, a share which remains constant this year due to the relative stability in fuel prices brought by the Opec oil price freeze.

But last year's nose-diving profit margin has meant that despite a 134 per cent increase in total billing revenue, Varig's net profit for 1980 grew just 25 per cent—which, when compared with internal inflation of 110 per cent represents a substantial real loss. Fouquet forecasts a similar performance for 1981.

The effects of 1980's deteriorating profit margin were predictably most pronounced in the highly-competitive international market, which although responsible for 76 per cent of Varig's total revenue in 1980, contributed just 12.6 per cent to total profits.


Glyn Genin
Rediffusion's DC-10 simulator at Varig's Rio de Janeiro training facility.

Fruit of the obstinate vision of its young German-born founder Otto Ernst Meyer, who in the 1920s realised that the vast territory of his adopted Brazilian homeland could only be realistically transversed by air, the airline has grown from a single nine-passenger hydroplane into a fleet of 60 turboprops and jets. This year's additions, three Boeing 747 jumbo jets and a B-4 Airbus, are Varig's response to the recession currently plaguing the air industry.

The strategy has worked in the past: of last year's U.S.$930m total revenue, Varig's newly-introduced fleet of DC-10 wide-bodied jets contributed nearly half.

This year, the three Boeing 747s Varig acquired in a U.S.$210m lease-purchase agreement have meant overall fuel economy—the airline is flying 11 per cent fewer flight hours on its international routes while offering increased capacity in 1981.

But, to the hopes that Varig has pinned on its latest innovation, Fouquet interjects a note of caution. Operating wide-body jets efficiently, he warns requires an increase in passenger traffic. "There is increased economy only with a high load factor," he says.

With this in mind, Varig's fourth President, Mr Helio Smidt, assumed office last year and announced plans to increase international traffic by opening new routes, principally to Africa. Early this year a weekly flight between Rio and Luanda, Angola, was added to Varig's itinerary. Last year Amsterdam and Milan were introduced.

In a bid to develop international tourism to the less-developed north-east and Amazon regions of Brazil, Varig last year inaugurated new non-stop flights between Salvador, Bahia, and several European cities, as well as single-plane service linking Miami, Belem and Salvador.

Fittingly, Varig President Smidt is helmsman of Varig's most recent wave of international market expansion—it was his uncle who inaugurated the airline's first international flight between Porto Alegre and Montevideo in 1942. Rubem Berto transformed Varig from a regional shuttle into Brazil's only international carrier, and created the co-operative organisation which has been the airline's majority 70 per cent shareholder since 1945. The Rubem Berto Foundation belongs to Varig's 16,722 employees and is governed by a 450-member board whose current vice-president is Varig president, Mr Helio Smidt.

Smidt, like his uncle, began as a Varig office boy, although Berto worked his way from janitor, typist and secretary before becoming founder Otto Ernst Meyer's hand-picked successor in 1941.

BOND DRAWINGS

THE MORTGAGE BANK OF THE KINGDOM OF DENMARK
6½% LOAN 1966 76 SERIES XX

HAMBROS BANK LIMITED hereby gives notice that in accordance with the terms and conditions of the above Loan the redemption due 25th January 1982 has been effected by the purchase of US$ 373,000 (Nominal) and the undermentioned bonds amounting to US$ 292,000 (Nominal) were drawn on the 19th November 1981 for redemption at par. The outstanding balance after the 25th January 1982 redemption is US$ 2,440,000 (Nominal).

The drawn bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA or to the other Paying Agents named on the Bonds.

For payment in London, bonds will be received on any business day and must be left three clear days for examination.

BONDS OF US$ 1000

33	88	342	1045	1152
1251	1329	1370	1524	1564
1651	1786	1800	1801	1995
2138	2323	2345	2659	2707
2416	2857	2942	3054	3066
2998	3007	3036	3042	3126
3156	3253	3900	3872	3913
3934	4111	4181	4188	4385
4386	4551	4606	4610	4625
4653	4714	4761	4763	4769
4798	4912	4990	5062	5206
5212	5214	5360	5918	5558
5775	6000	6012	6156	6215
6253	6277	6309	6435	6440
6444	6453	6463	6466	6471
6475	6480	6489	6583	6751
6786	6787	6997	7004	7009
7013	7068	7081	7106	7137
7155	7172	7193	7265	7294
7331	7360	7406	7416	7475

7480	7503	7529	7537	7570
7594	7643	7646	7661	7668
7688	7717	7735	7775	7766
7791	7813	7821	7825	7840
7886	7900	7914	7930	7938
7956	7983	7994	8005	8016
8056	8063	8083	8094	8124
8136	8152	8160	8178	8353
8434	8450	8451	8459	8475
8557	8605	8609	8610	8615
8641	8661	8684	8813	8973
8855	8856	8948	8960	8973
9003	9018	9028	9132	9147
9073	9097	9140	9143	9158
9177	9217	9218	9236	9237
9359	9360	9401	9652	9653
9801	9896	9965	10137	10138
10142	10206	10239	10256	10261
10276	10304	10305	10310	10320
10341	10393	10395	10404	10426

10437	10461	10490	10516	10524
10635	10640	10643	10662	10704
10719	10873	10876	10878	10886
10887	10892	10897	10910	10911
10916	10967	11000	11006	11024
11039	11055	11056	11058	11104
11115	11131	11132	11235	11239
11145	11161	11211	11234	11249
11251	11263	11269	11301	11320
11329	11335	11336	11357	11377
11385	11396	11402	11411	11442
11481	11548	11549	11557	11563
11570	11585	11601	11621	11636
11651	11654	11681	11704	11726
11739	11770	11788	11790	11797
11804	11806	11819	11836	11844
11863	11867	11884	11914	11917
11937	11952	11957	11970	11975
11976	11981			

HAMBROS BANK LIMITED
4th December, 1981.

COMPANY NOTICES

UNILEVER N.V.

4% REDEEMABLE CUMULATIVE PREFERENCE SUB-SHARES OF Fl.12
ISSUED BY N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR

The dividend for 1981 of 4% (Fl.0.48) Serial No. 68 will be paid on and after 4 January 1982. To obtain this dividend certificates must be listed on listing forms obtainable from one of the following banks:–

Midland Bank Limited, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA;
Northern Bank Limited, 2 Waring Street, Belfast BT1 2EE;
Allied Irish Banks Limited, Securities Department, 3/4 Foster Place, Dublin 2;
Clydesdale Bank Limited, 30 St. Vincent Place, Glasgow.

Separate forms are available for use (a) by Banks, UK firms of Stockbrokers, Solicitors or Chartered Accountants (b) by other claimants. Notes on the procedure, in each case, are printed on the forms.

Fuller details of the dividend may be obtained from the above named banks on and after 28 December 1981.

EXCHANGES of original shares for certificates of sub-shares and vice versa will be SUSPENDED from 11 December 1981 to 31 December 1981 both dates inclusive.

Certificates will only be accepted for exchange after 31 December provided that all dividends declared prior to that date have been claimed.

N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR
London Transfer Office, Unilever House, Blackfriars, London EC4P 4BQ.
3rd December 1981.

4% REDEEMABLE CUMULATIVE PREFERENCE ORIGINAL SHARES

The dividend will be paid on and after 4 January 1982 against surrender of Coupon No. 68. Coupons should be sent to one of the Paying Agents in the Netherlands accompanied by an income tax form for relief from Dutch tax obtainable from Midland Bank Limited, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA, from which fuller details of the dividend may be obtained.

LEGAL NOTICE

No. 003997 of 1981

In the HIGH COURT OF JUSTICE Chancery Division. In the Matter of BRITANNIA ARROW HOLDINGS LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN that a Petition was on the 16th November 1981 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

And notice is further given that the said Petition is directed to be heard before the Honourable Mr. Justice Vinelott at the Royal Courts of Justice, Strand, London W.C.2, on Monday the 14th December 1981.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated this 2nd day of December 1981.
CLIFFORD-TURNER,
Blackfriars House,
19 New Bridge Street,
London E.C.4.
Solicitors to the said Company.

CLASSIFIED ADVERTISEMENT RATES

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Classified Advertisement Manager
Financial Times
10 Cannon Street, EC4P 4BY

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9¾% 1976/1986 OF US$60,000,000 MADE BY THE
EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to US$2,500,000 has been purchased for redemption on January 15, 1982.

Amount outstanding on January 15, 1982: US$45,000,000.

Luxembourg, December 4, 1981.

PUBLIC NOTICE

CAMBRIA COUNTY COUNCIL

£200,000 Bills offered 25th November 1981 for payment 27th November 1981 due 26th February 1982 at 13¹³⁄₁₆%. Applications totalled £11m. Bills outstanding £5m.

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 734 0557.

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THEATRES

UPSTREAM. 928 5394. From 29th Dec Family Musical YOU'RE A GOOD MAN, CHARLIE BROWN.

VAUDEVILLE. CC 01-836 9988. Opens Wed 7 pm (sub eves 8 pm Wed Mats 2.45. Sats 5 pm & 8 pm). GORDON JACKSON in AGATHA CHRISTIE'S CARDS ON THE TABLE.

VICTORIA PALACE. CC 01-828 4735-6. 01-834 1317. Opens December 21st. JOHN INMAN, ARTHUR LOWE, IAN LAVENDER in MOTHER GOOSE. Group Sales 01-379 6061 & Teledata 01-200 0200 (24 hours).

WAREHOUSE. Donmar Theatre, Earlham St. Covent Gdn. Box Office 836 6808. ROYAL SHAKESPEARE COMPANY HANSEL & GRETEL by David Rudkin. ton't 7.30 pm (may be felt not suitable for younger children). Next perf THIRTEENTH NIGHT 9 Dec.

WESTMINSTER THEATRE. CC S 01-834 0283 GAVIN AND THE MONSTER. A new family musical for Christmas Season. Until January 23 Mats 2.15. Evgs Fri and Sat 6.45, 8.30.

WHITEHALL. Box off. Tel 01-839 6975. 01-930 6012-7765. CC 01-930 6692-6694. Group sales tel 01-379 6061. Whitehall's latest farce ANYONE FOR DENIS? by JOHN WELLS. Directed by DICK CLEMENT. MON-SAT EVES 8.15 pm. MAT SAT 5.00 pm.

WINDMILL. CC 01-437 6312. Twice nightly Mon-Sat 7.00 and 9.00 pm. Sun 6.00 and 8.00 pm. Paul Raymond presents RIP OFF! Hotter than ever for 1981. The erotic experience of the modern era. 5th great year. LAST 3 WEEKS.

WYNDHAM'S. S 836 3028 CC 379 6565. Grp reductions 836 3962. COLIN BLAKELY, ROSEMARY HARRIS in ARTHUR MILLER'S ALL MY SONS. Directed by MICHAEL BLAKEMORE. Mon-Fri 7.30. Sat 4.30 & 8.0. Wed mat 2.30.

YOUNG VIC (by Old Vic). 928 6363. THE WINTER'S TALE to Dec 19. All seats £2.30. Eves 7 30. Sat 2.30.

UK BANKS INVOLVED IN JAPANESE FAILURE

Asahigawa foreign debts top Y17bn

BY RICHARD C. HANSON IN TOKYO

FOREIGN banks have emerged for the third time this year as major lenders caught in a [illegible] National de [illegible] loans outstanding to Shin Asahigawa, a large timber importer which declared itself insolvent earlier this week with debts of Y61.7bn ($286m).

The foreign bank exposure to Shin Asahigawa is believed to be about Y17bn ($79m) in total, out of debts to the banking community of about Y52bn. Of this total about Y8.9bn is said to be guaranteed by Japanese banks led by Daiwa Bank.

Daiwa, as the main bank to *Shin Asahigawa, said yesterday* it would make good on more than [illegible] guarantees, [illegible] exposure is put at Y36bn.

The foreign banks expect to cover most of their loans with guarantees from Japanese banks or with collateral. But some losses are expected.

According to Daiwa, the biggest foreign lender is Banque National de Paris, with an estimated Y4bn, followed by Lloyds (possibly as much as Y2.7bn) and Barclays (about Y2bn). This is believed to be the most serious involvement of British banks in a Japanese failure. They apparently steered clear of this year's earlier failures.

Foreign banks were involved this year in the collapse of *Osaka Shoken Shinyo, a stock* [illegible] company, and the Iwasa [illegible] group of companies in Hokkaido. Both cases involved heavy losses related to speculation on the stock market.

Shin Asahigawa's troubles, however, are rooted in the severe recession facing the lumber and plywood industry in Japan. With house construction starts down sharply Shin Asahigawa, *the leading* independent importer of timber, was hit by the failure of major customers to pay their bills. A chain reaction of failures began among Shin Asahigawa's affiliates and spread to lumber and plywood companies scattered throughout Japan.

So far 17 Shin Asahigawa group companies have failed, but the number is rising. Earlier *in the week, outstanding debts* in and outside the group were put at Y14.5bn ($65.5m). Foreign banks' exposure outside of Shin Asahigawa itself is said to be minor.

Seattle First, which was involved heavily in both earlier failures, has a long-standing relationship with Shin Asahigawa because of its timber imports from the U.S. Northwest. It is said to have lent Y1.3bn. Rainier National, another U.S. Northwest bank, is involved but for a smaller amount.

Manufacturers Hanover and Chemical Bank have lent money, as have Bayerische Vereinsbank and United Overseas Bank of Singapore, according to Daiwa.

Japanese to lease oil rigs to U.S. group

By [illegible]ith in Tokyo

SIX JAPANESE leasing companies, headed by Japan Leasing Corporation, have agreed to lease $47m worth of onshore drilling rigs to a U.S. oil drilling company, giving the lessee the benefit of Japan's low interest rates.

Yen-denominated leasing agreements represent a loophole in Japan's system of unofficial controls over international yen-denominated loans. The loophole exists because the Japanese principals are leasing companies rather than banks and thus do not come under the Finance Ministry's "guidance" to foreign exchange banks.

The rigs, ordered by Henley Drilling Company from a U.S. supplier, will be sold to the Japanese consortium and leased back under a yen-denominated contract. Since Japan's long-term prime rate is now 8.9 per cent, against comparable U.S. interest rates of 16 to 17 per cent, Henley will save substantially on interest payments.

Leasing under a yen-denominated contract naturally involves Henley in an exchange risk but Henley's parent, Hunt Oil of Dallas, is said to "expect" yen income.

The Japanese lessors, are Japan Leasing Corporation (manager of the group), Tokyo Lease Company, Mitsui Leasing and Development, Crown Leasing Company, Central Lease Company and Diamond Lease Company. Several of them previously leased aircraft to two Asian airlines under "leveraged" schemes which enabled the airlines to benefit from investment tax allowances in Australia and the U.S.

In June Japan Leasing, Tokyo Lease and Crown Lease financed the major portion of a $60m Boeing 747 lease arranged by Cathay Pacific Airways through an Australian owner-trustee. The trustee purchased the aircraft, in part with funds provided by the Japanese leasing group, before leasing it to Cathay. Cathay benefited by paying a leasing fee reflecting low Japanese interest rates and investment tax credits available in Australia.

A deal closely resembling Cathay's was signed in September between China Air Lines (of Taiwan) and a consortium of five Japanese leasing companies, again headed by Japan Leasing Corporation. The China Air Lines deal, however was made through a U.S. owner-trustee and thus qualified for U.S. investment tax credits and depreciation allowances.

The Japanese consortium loaned 65 per cent of the value of the Boeing 747 worth $55m to the trustee who leased it to China Air Lines. The role of "packager and finder" was played by Bankers Trust of the U.S. The identity of the trustee owner has not been revealed.

The ministry appears to have made no attempt so far to close the loophole. However, both lessors and lessees have been careful to avoid publicity about the leasing agreements.

Kloeckner and CRA set up joint ventures

By Jonathan Carr in Bonn

KLOECKNER-WERKE, the diversified West German steel company, and CRA, the Australian raw materials concern, have agreed on "long term, wordwide co-operation" and announced the establishment of joint ventures.

Kloeckner said the aim is to marry its industrial know-how with the natural resources of CRA, which with sales of more than A$2bn (U.S.$2.3bn) is Australia's second largest enterprise.

In the first joint project, CRA is taking a 50 per cent stake in Kloeckner Kohlegas which has a basic capital of DM 180m (U.S.$82m). It will build and operate a coal gasification plant at Kloeckner's steel operation in Bremen.

CRA and Kloeckner are also setting up a Singapore-based company, International Resources and Technology, to investigate further prospects for co-operation and to propose other joint ventures. A joint licensing company is *also being founded* with capital of DM 20m.

CRA has long been one of the major suppliers of ore to Kloeckner, which has annual sales of DM 5.5bn (U.S.$2.5bn), and is now looking for co-operation at a higher stage of the production process.

Hitachi lifts half-year earnings

BY YOKO SHIBATA IN TOKYO

HITACHI, the major Japanese maker of electronic and electrical products, has reported a 19 per cent increase to Y166.3bn ($773m) in consolidated pre-tax income for the half-year ended September.

At the net level profits rose only 11 per cent to Y66.7bn, or Y24.51 a share against Y22.84, because of higher corporate taxes. The earnings growth reflected higher exports and better overall sales of computers, video tape recorders and semiconductors.

Exports rose 22 per cent to account for 26 per cent of total sales of Y1,774.6bn ($8.25bn), up 8 per cent from Y1,648bn a year earlier.

The fastest growing sector was consumer product sales which rose 20 per cent to account for 23 per cent of the total. In this area, buoyant VTR sales offset sluggish household appliance demand.

Hitachi doubled VTR production in the half-year to 100,000 units a month, 70 per cent of which were exported. It plans to lift production to 150,000 units a month by March.

Sales by the electronics division advanced 16 per cent to take a 21 per cent share, helped by sales of semiconductors, particularly 64K RAM memories. Hitachi will lift production of 64K RAMs to 1m a month by March from 700,000 now.

Sales of large-scale computers recovered as a result of satisfactory OEM (original equipment manufacturing) exports to National Advanced Systems of the U.S. (a National Semiconductor subsidiary), Olivetti of Italy and BASF of West Germany.

Despite sluggish demand for equipment in the public works sector, turnover of the industrial machinery and plants division rose 3 per cent to take an 18 per cent share of the total.

Sales of industrial robots *were particularly strong and* the company will double production to 80 units a month by March.

For the full fiscal year ending March Hitachi is forecasting 10 per cent growth in sales and pre-tax profits and a 5 per cent gain in net profits.

Consortium to buy NSW power station

BY GRAEME JOHNSON IN SYDNEY

A CONSORTIUM of top Australian banks, industrial and mining companies is buying the Eraring power station in New South Wales' Hunter Valley from the state's electricity commission for A$300m (US$350m).

A further A$1bn has been aranged for the group in Eurocurrency loans from a consortium of several major domestic and overseas banks, one of which is believed to be the bank of New South Wales.

The sale by the state government chances the role of semi-government and government funding of important Australian resource-based infrastructure projects. It will almost certainly force other state power authorities to rethink the financing of their electricity-grid expansions.

The deal relieves the state electricity commission from having to raise the capital for the plant through either bororwing or higher electricity tariffs.

The first of four stages of the Eraring plant will start up early next year.

The commission will operate the plant and link it with the NSW grid. It will also have the option to buy back the plant from the consortium at its written-down value, in line with normal commercial practices.

The list of participants in the consortium has yet to be officially released, although it is thought to include such heavyweights as BHP, CSR and CRA.

The deal is the result of months of work by Salomon Brothers and the New York merchant bank, the Bank of NSW, and the Australian Industry Development Corporation.

Government sources said that under the terms of the agreement the consortium members would be guaranteed an after-tax return of about 13.5 per cent equivalent to a 25 per cent pre-tax return.

The commission has plans for other power stations at Mt Piper and Bayswater by 1990 to meet the rapid growth in demand for electricity because of industrial development in the Hunter Valley.

R. C. Murthy reports on change at the top of the Tata industrial empire as its leader for 43 years prepares to step aside

Tata looks to a new Emperor

THE APPOINTMENT of Mr Ratan Naval Tata as chairman of Tata Industries (TIL), the think tank of India's Tata group, which has interests ranging from steel and heavy engineering through power supply and chemicals to such areas as tea, hotels and publishing, has heightened excitement over the question of a change in the group's leadership.

Ratan, 44, has succeeded at TIL Mr Jehangir Ratanji Dadabhoy Tata, 77, popularly known as JRD, who remains leader of the industrial empire as chairman of Tata Sons, but is planning his retirement.

There has been speculation that Ratan was to succeed JRD for some time. When the matter was aired two years ago in the Business Standard, the Calcutta financial daily, protests were raised by some senior Tata executives who were concerned that their claims to the top job were being excluded.

At one stage it seemed that Mr N. A. Palkhivala, 61, a constitutional lawyer and tax expert and former Indian Ambassador to the U.S., might take up the reins. Mr Palkhivala has a long association with Tata and on his return from the U.S. was made vice-chairman of Tata Engineering and Locomotive Company (Telco) and deputy chairman of Tata Iron and Steel Company (Tisco), key companies in the Tata group.

He is now, however, considered to have drawbacks politically, says a director of Tata Sons, through his identification with the defunct Janata which defeated Mrs Indira Gandhi's Congress Party in the 1977 *elections.*

JRD is looking for a non-controversial young person, not merely from the Parsi community but from within the Tata family. JRD took the opportunity of an interview published in a *local magazine* recently to refer to Ratan as his possible successor—evidently seeking to test the reaction within the Tata group

Ratan, a Cornell graduate, has been director in charge of National Radio and Electronics Company, one of the Tata group's 30 companies, and on the board of several others. JRD has no children. Ratan's father, Naval Hormusji Tata, a senior group executive, was adopted from a Parsi orphanage at the age of 13 by Lady Ratan Tata, the daughter-in-law of Jamsetji Tata, the founder of the Tata empire, while JRD and Ratan have common ancestors several generations away. The relationships reflect the extent to which India's Parsi community, originally Zoroastrian migrants from Iran, remains small and closely knit.

TIL, a subsidiary of Tata Sons, was formed by JRD in 1945 as a managing agency house. The agency system was introduced by the British in Colonial days as a method of managing agency system, TIL took on the role of think tank for the Tata group. Chief executives of the major Tata companies are on the board of TIL, which co-ordinates the group's overall investment and other major policies. The decisions it makes are advisory, not mandatory, as each Tata company is managed by an independent, professionalised board. Telco and Tata Chemicals, for instance, have non-Parsi chairmen, who have

Trevor Humphries

Mr J. R. D. Tata, head of India's widely diversified Tata industrial group, who is expected soon to announce his successor. Insets show Mr Ratan Tata (top) who has succeeded JRD as chairman of Tata Industries, the group's think tank, and is the favourite to take the reins, and Mr N. A. Palkivala, the Indian Ambassador to the U.S. from 1977 to 1979 and now a senior Tata executive.

spreading limited expertise over management of a relatively large number of companies but was abolished in 1970 to encourage management of companies by their own experts. This change was tied in with a professionalisation policy of company management, built on the bringing into Indian companies managers with industrial qualifications. Until recently it was the custom for the sons of the owners to take over the running of many companies whether they were qualified for the task or not.

With the abolition of the grown with their respective organisations.

Ratan's induction into TIL is seen here as giving him an apprenticeship in decision-making before he takes over the group's leadership.

Two of the companies in the group he now seems likely to lead are at the head of the list of the private-sector companies in India. A survey indicates that nine Tata companies account for 16 per cent of total sales by India's top 100 private-sector companies in 1980-81. The group has, however, lately been challenged for its premier position in industry by the Birla group, which is also highly diversified. Unlike Tata however, Birla has steered away from steel and the heavy electrical and machine building industries, in order currently to concentrate its spread of activities into such sectors as shipping, fertilisers and cement.

In 1979, Tata had assets of Rs 13.09bn ($1.4bn) and Birla Rs 13.10bn, whereas in 1972, Tata's assets of Rs 6.52bn were 9 per cent greater than Birla's Rs 5.89bn. On a sales count, Tata showed Rs 17.2bn ($1.9bn) in 1979, or 5.7 per cent more than the Birla Rs 16.28bn. In 1972, it totalled Rs 6.93bn, or 17.5 per cent more than Birla's Rs 5.9bn.

The next few years will be crucial. Three Tata companies are investing a total of Rs 5.1bn ($560m) over the next two years in their bid to re-establish the group's top position. New opportunities for investment will be available when the Government liberalises its policy as part of its commitment to the International Monetary Fund in return for an SDR 5bn loan.

Tata plans to expand Telco's truck plant capacity to 80,000 vehicles a year, from 56,000. It is making arrangements with the Government for the setting up of fertiliser plant in Uttar Pradesh based on Bombay offshore natural gas, and is drawing up a Rs 2bn second phase modernisation plan for Tisco.

JRD is quoted by Mr R. M. Lala, the Indian journalist, in his book *The Creation of Wealth* as saying that Tata's future depends on two factors. These are the quality of management and the development of Telco and Tisco, the combined sales of which account for more than half those of the group as a whole.

Nationalisation of Tisco was a subject of political debate under the Janata regime. Tata Sons has shareholdings of only 3 per cent in Tisco and Telco, and maintains control through its own reputation for professional and successful management. There is an emotive link *between Tata Sons and Tisco* the first major enterprise set up in 1907 by Jamsetji Tata, the group's founder.

JRD, it is thought, may devote his attention to Tisco, even after stepping down from Tata Sons. This would mean, as one Tisco director puts it, that JRD would "step aside" but not "step down."

Companies and Markets

CURRENCIES, MONEY and GOLD

Sterling falls

Sterling weakened in the foreign exchange market as a reaction to the reduction of ½ per cent to 14½ per cent in London clearing banks' base lending rates. This had been expected for some time, but the pound tended to rise steadily in recent weeks as tight credit conditions prevented any move from the banks. Market liquidity has improved in recent days however, largely thanks to an injection of funds by the Bank of England, leading to a reduction in very short-term rates, thus giving the commercial banks room to reduce their lending rates.

Dollar was firm on higher Eurodollar interest rates and the reduction in British and German interest rates, with the German Bundesbank cutting its special Lombard rate by ½ per cent to 10½ per cent.

European currencies fell against the dollar. The Danish krone weakened slightly within the European Monetary System, but remained the strongest currency, while the Belgian franc the weakest member, showed a steadier trend.

DOLLAR — trade-weighted index (Bank of England) rose to 106 from 105.5. The U.S. currency rose to DM 2.2320 from DM 2.2180 against the D-mark to FFr 5.6320 from FFr 5.5950 against the French franc; to SwFr 1.7925 from SwFr 1.7775 in terms of the Swiss franc; and to Y216.75 from Y214.50 against the yen.

STERLING — trade-weighted index (Bank of England) fell to 91.4 from 91.8, after opening at 91.8 and weakening to 91.3 at noon. The pound opened at $1.9470-1.9480, and touched a peak of $1.9490-1.9500, but then fell on the bank base rates cut, to touch $1.9285-1.9295 in the afternoon. It closed at $1.9345-1.9355, a fall of 1.80 cents on the day. Sterling declined to DM 4.30 from DM 4.3325; to FFr 10.8950 from FFr 10.9275; but was unchanged at SwFr 3.47 and rose to Y419.50 from Y419.

D-MARK—One of the weakest members of the European Monetary System following the latest currency realignment but recovering after trading close to its divergence limit for several weeks. It has also improved against the dollar, reflecting a lower trend in U.S. interest rates and despite doubts about Germany's economic prospects—The D-mark showed mixed changes at the Frankfurt fixing, ahead of the Bundesbank central council meeting. The dollar rose to DM 2.2300 from DM 2.2280, and improved to DM 2.2340 at the close as Eurodollar rates tended to firm and the market recorded disappointment at the cut of only ½ per cent to 10½ per cent in the Bundesbank special Lombard rate, against expectations of a reduction of 1 per cent. The German central bank did not intervene at the fixing. Sterling fell to DM 4.3150 from DM 4.3380.

FRENCH FRANC—The last EMS reshuffle, which included a devaluation of the French franc has enabled the authorities to reduce domestic interest rates, but despite this and unfavourable economic trends, including rising inflation, unemployment and trade deficit, the franc has been quite firm against its major trading partners—The franc remained the second strongest member of the EMS yesterday, and improved against most major currencies at the Paris fixing. The dollar fell FFr 5.63 from FFr 5.6340, and declined to FFr 5.6285 in the afternoon.

THE DOLLAR SPOT AND FORWARD

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9285-1.9500	1.9345-1.9355	0.37-0.27c pm	1.98	0.86-0.76 pm	1.67
Ireland†	1.5870-1.5845	1.5870-1.5880	0.75-0.65c pm	5.29	2.15-1.95 pm	5.16
Canada	1.1770-1.1813	1.1802-1.1805	0.44-0.47c dis	−4.63	1.02-1.06dis	−3.52
Nethlnd.	2.4375-2.4485	2.4410-2.4441	0.31-0.21c pm	1.28	0.92-0.82 pm	1.42
Belgium	37.86-38.00	37.86-37.88	14-18c dis	−5.06	44-50 dis	−4.96
Denmark	7.2000-7.2175	7.2000-7.2100	1.35-1.75ore dis	−2.58	3.40-3.90dis	−2.02
W. Ger.	2.2260-2.2375	2.2315-2.2325	0.46-0.40pf pm	2.31	1.46-1.40 pm	2.56
Portugal	64.10-64.60	64.40-64.60	30-110c dis	−13.02	70-240 dis	−8.61
Spain	96.75-96.15	96.00-96.10	25-35c dis	−3.75	75-85 dis	−3.54
Italy	1,185-1,188½	1,195½-1,197	10-11 lire dis	−10.52	29-31 dis	−10.02
Norway	5.6925-5.7050	5.6965-5.7015	6-6¾ore dis	−13.75	6¾-7 dis	−4.73
France	5.6270-5.6430	5.6285-5.6345	1.80-1.95c dis	−3.99	5.65-6.00dis	−4.13
Sweden	5.4700-5.4835	5.4730-5.4740	par-0.15ore dis	−0.16	0.30-0.15 pm	0.16
Japan	215.50-217.50	216.70-216.80	1.00-0.85y pm	5.12	2.85-2.70 pm	5.12
Austria	15.64-15.70	15.62½-15.69½	5½-4gro pm	3.63	13¼-8¾ pm	3.00
Switz.	1.7870-1.7970	1.7920-1.7930	0.55-0.47c pm	3.41	1.44-1.36 pm	3.12

† UK and Ireland are quoted in U S currency. Forward premiums and discounts apply to the U.S dollar and not to the individual currency. Dec 2 UK† 1.9525-1.9535 (close).

THE POUND SPOT AND FORWARD

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9285-1.9500	1.9345-1.9355	0.37-0.27c pm	1.98	0.86-0.76 pm	1.67
Canada	2.2760-2.2875	2.2845-2.2865	0.42-0.52c dis	−2.47	1.05-1.25dis	−2.01
Nethlnd.	4.70-4.76	4.71½-4.72½	1¾-1¼c pm	3.49	4-3½ pm	3.18
Belgium	73.10-74.10	73.20-73.30	11-21c dis	−2.62	54-64 dis	−3.22
Denmark	13.90-14.04	13.90½-13.91½	1¼-¼ore pm	0.59	2⅞-1⅞ pm	0.61
Ireland	1.2120-1.2270	1.2150-1.2165	0.28-0.40p dis	−3.35	0.97-1.16dis	−3.50
W. Ger.	4.30-4.35	4.31½-4.32½	1⅞-1⅝pf pm	4.61	4¾-4¼ pm	4.17
Portugal	124.00-125.50	124.60-124.90	30-195c dis	−10.82	75-415 dis	−7.85
Spain	184.70-186.50	185.50-185.70	30-60c dis	−2.91	75-115 dis	−2.05
Italy	2,309-2,331	2,313½-2,315½	14½-17½ lire dis	−8.29	42½-46½ dis	−7.69
Norway	11.01-11.11	11.02-11.03	8¼-10ore dis	−10.20	6-7¼ dis	−2.40
France	10.87-10.97	10.89-10.90	1¼-2¼c dis	−1.93	6¼-7¼ dis	−2.48
Sweden	10.57-10.67	10.58-10.59	1⅞-1⅛ore pm	1.70	4⅞-4⅛ pm	1.68
Japan	415-422	419-420	2.85-2.55y pm	7.72	8.40-8.10 pm	7.87
Austria	30.20-30.50	30.25-30.30	16-11gro pm	5.35	40-30 pm	4.62
Switz.	3.45-3.50	3.46½-3.47½	1⅝-1¼c pm	5.19	4½-4 pm	4.90

Belgian rate is for convertible francs. Financial franc 81.90-82.00. Six-month forward dollar 1.12-1.02c pm, 12-month 1.30-1.10c pm.

CURRENCY MOVEMENTS

Dec. 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.4	−32.7
U.S. dollar	106.0	−0.2
Canadian dollar	86.6	−16.0
Austrian schilling	117.1	+24.2
Belgian franc	105.0	+7.8
Danish kroner	88.2	−9.5
Deutsche mark	122.4	+43.8
Swiss franc	153.2	+104.1
Guilder	115.2	+19.9
French franc	81.3	−14.0
Lira	55.4	−57.6
Yen	145.1	+40.3

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.602320	0.564668
U.S. $	13	1.17362	1.09800
Canadian $	15.52	1.38182	1.29289
Austria Sch.	6¾	18.3860	17.1856
Belgian F	13	44.4773	41.6470
Danish Kr.	11	8.42835	7.90667
D mark	7½	2.61483	2.44963
Guilder	9	2.86305	2.68076
French Fr.	9½	6.61218	6.18721
Lira	19	1403.06	1312.85
Yen	6¼	252.915	237.167
Norwgn. Kr.	9	6.70606	6.26187
Spanish Pts.	8	112.192	104.968
Swedish Kr.	11	6.41970	6.01482
Swiss Fr.	6	2.09726	1.96651
Greek Dr'ch.	20½	—	61.7842

OTHER CURRENCIES

Dec. 3	£	$		£ Note Rates
Argentina Peso	13,184-13,204†	6821-6841†	Austria	30.15-30.45
Australia Dollar	1.6910-1.6930	0.8740-0.8745	Belgium	81.25-82.25
Brazil Cruzeiro	236.88-237.88	122.59-123.26	Denmark	13.98-14.02
Finland Markka	8.351-8.368	4.3180-4.3200	France	10.85-11.08
Greek Drachma	107.449-110.738	56.25-56.45	Germany	4.29¼-4.33½
Hong Kong Dollar	10.83¼-10.85	5.60-5.60½	Italy	2315-2355
Iran Rial	152.50*	78.00*	Japan	419-424
Kuwait Dinar (KD)	0.542-0.548	0.2789-0.2801	Netherlands	4.69¼-4.73¼
Luxembourg Fr.	73.20-73.30	37.85-37.88	Norway	10.98-11.08
Malaysia Dollar	4.34-4.35	2.2450-2.2458	Portugal	124-131
New Zealand Dlr.	2.3085-2.3125	1.1935-1.1945	Spain	185½-195
Saudi Arab. Riyal	6.63-6.69	3.4190-3.4200	Sweden	10.57-10.67
Singapore Dollar	3.9665-3.9755	2.0495-2.0515	Switzerland	3.44½-3.48½
Sth African Rand	1.8740-1.8758	0.9685-0.9695	United States	1.92½-1.94½
U.A.E. Dirham	7.11-7.17	3.6700-3.6730	Yugoslavia	85-93

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 21,284-21,304 and for the dollar 11,000-11,500. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.6231	+2.12	+1.24	±1.5368
Danish Krone	7.91117	7.90575	−0.07	−0.95	±1.6412
German D-Mark	2.40989	2.44725	+1.55	+0.67	±1.1077
French Franc	6.17443	6.18025	+0.09	−0.79	±1.3733
Dutch Guilder	2.66382	2.67758	+0.52	−0.36	±1.5063
Irish Punt	0.684452	0.689492	+0.74	−0.14	±1.6688
Italian Lira	1300.67	1374.35	[illegible]	[illegible]	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for December 3 ... 0.56990

EXCHANGE CROSS RATES

Dec. 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.935	4.320	419.5	10.895	3.470	4.720	2315.	2.285	73.25
U.S. Dollar	0.517	1.	2.233	216.8	5.630	1.793	2.439	1196.	1.181	37.86
Deutschemark	0.231	0.448	1.	97.11	2.522	0.803	1.093	536.8	0.529	16.96
Japanese Yen 1,000	2.384	4.613	10.30	1000.	25.97	8.272	11.25	5517.	5.447	174.6
French Franc 10	0.918	1.776	3.965	385.0	10.	3.185	4.332	2124.	2.097	67.23
Swiss Franc	0.288	0.558	1.245	120.9	3.140	1.	1.360	667.0	0.659	21.11
Dutch Guilder	0.212	0.410	0.915	88.88	2.308	0.735	1.	490.4	0.484	15.52
Italian Lira 1,000	0.432	0.836	1.866	181.2	4.707	1.499	2.039	1000.	0.987	31.63
Canadian Dollar	0.438	0.847	1.891	183.6	4.768	1.518	2.066	1013.	1.	32.06
Belgian Franc 100	1.365	2.642	5.898	572.7	14.87	4.737	6.444	3160.	3.119	100.

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 3)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 3/4	offer 12 7/8	bid 13 5/16	offer 13 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¼-14½	12¼-12½	17-18	11⅛-11⅜	3¼-5¼	10⅜-10⅝	15¼-15¾	18-20	12½-14½	6¾-7
7 days' notice	14⅝-14⅞	12⅜-12⅝	17-18	11¼-11⅜	[illegible]	[illegible]	[illegible]	19-21	14⅛-15¼	7-7½
Month	14⅞-15	12⅝-12¾	17-17½	11⅛-11⅜	[illegible]	10⅝-10⅞	16⅛-17⅛	21⅛-22⅛	16⅛-17⅛	[illegible]
Three months	14⅞-15	13⅛-13¼	16-16¾	11⅝-11⅞	[illegible]	10⅝-10⅞	16⅛-17⅛	22⅛-23⅛	17⅛-18⅛	[illegible]
Six months	14⅛-14⅞	13⅜-13½	15⅞-16¼	11⅝-11⅞	[illegible]	10⅛-10⅜	16⅛-17	22⅛-23⅛	17⅛-18	[illegible]
One Year	14⅛-14⅞	13⅝-13¾	15⅜-16	11⅛-11⅜	[illegible]	10-10⅜	16⅛-16⅜	22⅛-23⅛	17⅛-17⅝	[illegible]

SDR linked deposits: one month 12⅛-12⅝ per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. ECU linked deposits: one month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Asian $ (closing rates in Singapore): one month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Long-term Eurodollar two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal closing rates. The following nominal rates were quoted for London dollar certificates of deposit: one month 12.35-12.45 per cent; three months 12.35-12.45 per cent; six months 12.95-13.05 per cent; one year 13.20-13.30 per cent.

MONEY MARKETS

Base rates down

London clearing bank base lending rates 14½ per cent (since December 4)

Interest rates fell in London yesterday following a half point cut in clearing banks' base rates to 14½ per cent. The move came less than 24 hours after Sir Geoffrey Howe's statement that Wednesday's economic measures were designed to increase the prospects of a fall in interest rates. However such a move had already been anticipated by the market for some time and the real purpose of the Bank of England's generous assistance earlier this week became more apparent, according to market sources. However there was anything but widespread euphoria in the market as the Bank of England lowered its dealing rates by ⅛-¼ per cent.

Although the bulk of the shortage in day to day funds was with the banks, discount houses were eager to find out how much the authorities were willing to reduce their dealing rates. The early forecast indicated a shortage of £50m and among the main factors affecting the market were bills maturing in official hands and a net take up of Treasury bills—£135m, offset by Exchequer transactions +£80m. However the shortage was amended to £150m but the Bank gave no assistance during the morning and only £64m in the afternoon. This comprised purchases of £40m of eligible bank bills at 14¼-14⅜ per cent (previously and 14½-14⅝ per cent) in band 2 (15-33 days) and in band 3 (34-63 days) £10m of local authority bills at 14⅛ per cent (previously 14¼-14⅜ per cent) and £14m of eligible bank bills at 14⅛ per cent.

The revised shortage pushed overnight rates in the interbank money to a peak of 30 per cent having opened at 15 per cent and easing to 13-13½ per cent at lunchtime. Closing balances were taken nearer 15 per cent. Discount houses were fairly well placed and by and large paid up to 14½ per cent for secured call loans. In contrast to reactions in the past following cuts in base rates, the market appeared to be rather unsure of future trends, with a continued shortage of short-term funds assured for some time to come and uncertainty as to how much U.S. interest rates are likely to fall, and whether they would rise once more depending on U.S. funding requirements.

In Frankfurt the Bundesbank cut its special Lombard rate to 10½ per cent from 11 per cent after yesterday's meeting of the central council. Overnight money in the interbank market was quoted at 11 per cent down slightly from Wednesday's figure of 11.05 per cent.

GOLD

Further rise

Gold rose $6½ to $415½-416½ in the London bullion market yesterday. It opened at $415-416, and was fixed at $419 in the morning and $416.50 in the afternoon. The metal touched a high point of $420-421, and fell to a low of $414-415.

In Paris the 12½ kilo gold bar was fixed at FFr 76,000 per kilo ($419.86 per ounce) in the afternoon, compared with FFr 76,000 ($419.86) in the morning, and FFr 74,750 ($412.66) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 30,155 per kilo ($420.98 per ounce), against DM 29,160 ($407) previously, and closed at $416-417, compared with $406½-407½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $418.75 per ounce, compared with $405.00.

In Zurich gold closed at $415-418, against $405-408.

	Dec. 3		Dec. 2	
Gold Bullion (fine ounce)				
Close	$415½-416½	(£214¼-215¼)	$409½-410½	(£209½-210)
Opening	$415-416	(£215½-215¾)	$405-406	(£207½-208)
Morning fixing	$419	(£215.520)	$405.25	(£207.661)
Afternoon fixing	$416.50	(£214.646)	$405.75	(£208.858)
Gold Coins				
Krugerrand	$427½-428½	(£220¾-221¼)	$423½-424½	(£216¾-217¼)
1/2 Krugerrand	$220½-221½	(£113¾-114¼)	$218½-219½	(£111¾-112¼)
1/4 Krugerrand	$112-113	(£58-58½)	$111¼-112¼	(£57-57½)
1/10 Krugerrand	$45-47	(£23¼-24¼)	$45½-46½	(£23¼-23¾)
Mapleleaf	$427½-428½	(£220¾-221¼)	$422½-423½	(£216¼-217¼)
New Sovereigns	$101½-102	(£52½-52¾)	$100½-101	(£51½-51¾)
King Sovereigns	$115-116	(£59½-60)	$112-115	(£57½-59½)
Victoria Sovereigns	$115-115	(£59½-60)	$112-115	(£57½-58½)
French 20s	$103-113	(£53-58)	$102-112	(£52½-57½)
50 pesos Mexico	$515-519	(£266¼-268¼)	$510-514	(£261-263)
100 Cor. Austria	$402-406	(£207½-209½)	$399-403	(£204-206)
$20 Eagles	$506-511	(£261¼-264)	$503-508	(£257½-260)

MONEY RATES

NEW YORK	
Prime rate	15¾-15½
Fed. funds	12¾-13
Treasury bills (13-week)	10.58
Treasury bills (26-week)	11.10
GERMANY	
Special Lombard	10.5
Overnight rate	11.0
One month	10.90
Three months	10.70
Six months	10.50
FRANCE	
Intervention rate	15.25
Overnight rate	15.50
One month	15.5625
Three months	15.4375
Six months	15.375
JAPAN	
Discount rate	6.25
Call (unconditional)	7.1875
Bill discount (three-month)	7.28125

LONDON MONEY RATES

Dec. 3 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Discount Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13-30	14-15	—	—	14-15	13½-14½	—	—	—
2 days notice	—	—	14½-15¼	—	—	—	—	—	—	—
7 days notice	—	—	—	—	—	—	—	—	—	—
7 days or	—	14½-15⅛	14½-14⅞	—	—	15-15⅛	14⅞-15	—	—	—
One month	14½-14⅜	14⅝-15⅛	14⅝	15⅛-14⅞	15⅛	14⅞-15⅛	14⅝-14⅞	14⅛	14⅛	15⅛
Two months	14⅛-14⅜	14⅝-14⅞	—	14⅞-14⅝	15	14⅞-14⅝	14⅜-14⅝	14⅛	14⅛	15
Three months	14⅛-14¼	14⅜-14⅝	14⅝	14⅝-14⅛	14⅞	13⅞-14	13¾-14	13⅞	13⅞	14⅞
Six months	14⅛-14⅛	14⅜-14½	14⅝	14⅝-14⅛	14⅝	15	—	—	—	—
Nine months	14⅛-14⅛	14⅝-14⅝	—	14⅝-14⅞	—	—	—	—	—	—
One year	14⅛-14⅛	14⅝-14⅝	14⅝	14⅝-14⅞	14⅝	—	—	—	—	—
Two years	—	—	14⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14⅞ per cent; four years 14⅞ per cent; five years 15 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅞-14 per cent; four months trade bills 14⅝ per cent.

Approximate selling rate for one month Treasury bills 14⅛-14⅝ per cent; two months 14-14⅛ per cent; three months 13⅞ per cent. Approximate selling rate for one month bank bills 14⅛ per cent; two months 14⅛-14⅜ per cent; and three months 14⅛ per cent; one month trade bills 14⅞ per cent; two months 14⅞ per cent; and three months 14⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 12½-12¾ per cent. Clearing Bank Rates for lending 14½ per cent. Treasury Bills: Average tender rates of discount 13.7664 per cent.

APPOINTMENTS

CompAir board changes

Mr John Bruce and Mr Alan G. Shroeder will join the board of the COMPAIR GROUP on January 1. Mr Bruce, who has been the group secretary since 1973, will become finance director. Mr Shroeder is managing director of CompAir Industrial. They will succeed Mr J. E. Norton and Mr Guy de Richemont who are to relinquish their non-executive appointments. Mr de Richemont will continue as chairman of CompAir's two subsidiary companies in France. Mr Bruce will be succeeded as secretary of CompAir by Mr Vernon Cobb.

★

Mr Colin Williams, executive director of the City Communications Centre, has been appointed executive director of the COMMITTEE ON INVISIBLE EXPORTS in addition to his present responsibilities. The appointment will take effect from January 1. Miss Gaye Murdoch has been appointed assistant director of the committee.

★

Mr C. S. Sproat has been appointed to the board of BARKER AND DOBSON GROUP. He becomes chief executive of the confectionery division.

Mr Nigel Vinson has been appointed a director of BARCLAYS BANK UK from January 1. He remains a member of the Newcastle upon Tyne local board of the bank. Mr Stanley Kemp, at present a regional general manager, has been appointed a deputy general manager of Barclays Bank UK, from January 1.

★

The BRITISH DIRECT MARKETING ASSOCIATION has appointed Mr A. A. (Tony) Painter as director general.

★

FIAT AUTO (UK) has appointed Mr Silvano Grimaldi sales director of the Lancia brand.

★

Mr John Hambleton has been appointed group property manager of GREGGS BAKERIES, Tyneside. He succeeds Mr Peter Feather who has retired but remains a member of the Greggs main board.

★

Mr Michael Knight has joined the CORPORATE CONSULTING GROUP as a partner and Colonel Michael Burkham as director of research. Sir Charles Carter has become a director of the company's international advisory board.

★

Mr Steven Hopkins has been appointed managing director of the IDEAS AND RESOURCES EXCHANGE.

★

Mr George Boyle has been appointed finance director of the HUNTLEIGH GROUP. He has joined the company's main board with overall responsibility for financial administration, long range financial planning and appraisal of major revenue and capital projects. He also becomes company secretary. He was previously finance director of Rockware Plastics Industries.

★

IMPERIAL GROUP states that Mr J. R. Haigh, group investment adviser, will be retiring from the board on December 31.

★

Mr F. W. Woodward has retired from the partnership of WESTLAKE AND CO., stockbrokers, Plymouth, but he remains a consultant.

★

Mr J. E. Illsley has been appointed a director of CATER ALLEN from December 7.

Mr M. H. Good, joint managing director of FERODO, a subsidiary of Turner and Newall, has retired. Mr A. C. Ferguson, deputy managing director, has been appointed deputy chief executive.

★

Mr G. H. C. Clay is the newly-appointed chairman of CHEPSTOW RACE COURSE COMPANY following the retirement of Col. E. R. Hill, who remains on the board.

★

Mr P. E. Presland has been appointed an additional director of C. E. HEATH AND CO. (ADVISORY SERVICES) and Heath Shipping Services.

★

Mr Donald Anderson has been appointed director of the BRITISH MAN-MADE FIBRES FEDERATION. He succeeds Mr Stuart Douglas, who has retired after 31 years' service.

★

Mr Ian H. Phillipps has been appointed a director of THE BRITISH STEAM SPECIALTIES GROUP.

★

Mr Roger L. Low, formerly vice-president at Salomon Brothers, has been appointed managing director of DEAN WITTER REYNOLDS OVERSEAS, London.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776. Telex 887281
Europe-Obligations ... [illegible]

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund ... [illegible]
For Kemp-Gee see Scrimgeour Kemp-Gee.
For Keyser Ullman see Central Assets Management.

Save & Prosper International
Dealing to:
P.O. Box 73, St. Helier, Jersey 0534 73933
Fixed Interest Funds [illegible]

[illegible]

NOTES

[illegible]

WORLD STOCK MARKETS

Wall St weaker at midday

STOCKS were narrowly lower on Wall Street at midday and analysts said investors were waiting for some further movement in interest rates.

The Dow Jones Industrial Average had fallen some 3½ points at the opening but was off less than a point by mid-session due to strength of Blue Chip issues used to calculate the average. Declines led advances by seven to six and volume totalled some 23m shares.

Analysts said investors may have been waiting for the October factory order rate, to be announced later, and for the November unemployment figures, due to be disclosed today, before re-entering the market.

Other leading indices also pointed lower at midday. The Transport Index was 1.65 down at 390.01 and Stocks were 0.76 lower at 353.53. Utilities were also weaker at 111.98. However, the composite Stock Exchange index edged up 0.01 to 72.41 in a volume of 31.7m. The American Stock Exchange index was 0.62 lower at 327.02.

Canada

Canadian stock prices were mixed in mid-afternoon trading with the Montreal composite index off 0.62 of a point at 319.67 on volume of 564,084 shares.

Among indices, Papers fell 0.49 to 184.07. Oils eased 2.68 to 593.87, and Industrials shed 1.05 to 337.82.

Bell Canada rose ⅛ to C$19⅜. Dome Petroleum gained ⅛ to C$15⅛, and Hiram Walker Resources put on ⅜ to C$24⅜.

Tokyo

Share prices rose sharply on bargain hunting, led by export-orientated issues and stocks related to Japanese public spending programmes. The market average gained 58.81 to close at 7,624.98 in a volume of 320m shares. The Tokyo Stock Exchange index rose 5.40 to 560.69.

Motors, Precisions, Light Electricals and Communications gained, responding to the easiness of yen against the U.S. dollar. Heavy Electricals, Steels and Shipbuilders were bought by foreign investors. Housing and constructions issues also closed higher.

Sony, Toyota, Motor, Victor, Fujitsu and Nippon Oil all made progress. However, TDK, Sanyo Electrical and NGK Insulators all retreated.

Hong Kong

Stocks closed lower in quiet trading with most traders adopting a wait-and-see attitude. The Hang Seng index fell 20.37 to 1,399.82, after lising 25.58 on the morning close.

Hong Kong Wharf and World International resumed trading after suspension, losing respectively 10 cents to HK$5.75 and 60 cents to HK$2.85 after their merger failed.

China Light fell 60 cents to HK$11.90, Cheung Kong 30 cents to 22 cents, and both Swire Pacific and Jardine Matheson lost 20 cents to HK$11.70 and HK$17.70 respectively. Hongking Land was 15 cents down at HK$9.80.

Australia

Shares remained firm with buyers in all sectors.

Herald and Weekly Times shares opened 5 cents higher at A$3.00 but fell back to A$2.90 before recovering to A$3.00 with speculators active. The market awaited developments in the proposed partial bid by the Bell Group. Herald turnover totalled 260,000 shares. Bell Group picked up 25c to close at A$4.25.

BHP gained 5c to A$10.60 as did CSR at A$3.75. Media group John Fairfax, a major Herald shareholder, put on 20c to A$1.90.

ACI gained 5c to A$1.82 and Dunlop rose 1c to A$1.09. In Oils, stocks with an interest in the Jackson No 1 well continued to advance with Claremont picking up 10c to 73c. Ampol Exploration rose 15c to A$3.15, Santos 4c to A$5.74 and Vamgas 10c to A$10.30.

A rally in gold prices helped Central Norseman to gain 26c to A$7.10, Australian Development 7c to 85c and GMK 30c to A$6.30.

Germany

The Frankfurt Bourse closed generally higher in lively trading on hopes, later fulfilled, that the Bundesbank would cut its special Lombard Rate.

AEG gained DM 4.20 to finish at DM 46.30 following conclusion of a joint telecommunications venture with Mannesmann and Bosch. Mannesmann gained DM 1.20 to close at DM 158.70.

Dresdner Bank rose DM 2.50 to DM 144 following news it will pay a dividend this year. Commerzbank rose DM 1.5 to DM 140, while Deutsche Bank finished at DM 278 (DM 276.50) Siemens rose DM 2.00 to DM 206, while Karstadt recovered DM 1.00 to DM 197 after its recent fall.

Paris

Shares were weaker in active trading with sentiment depressed by the apparent difference of opinion between the Prime Minister and the Economy Minister. The decline overcame initial demand prompted by the new French tax concessions. The *market is cautious ahead of next* Wednesday's speech by President Mitterrand.

Constructions and Oils led the decline, with Lafarge-Coppée down FFr 4.9 at FFr 285 and Raffinage lower at FFr 95. Foods were also easier. Metals, Engineering and Chemicals were mixed, while Creusot-Loire shed FFr 3.5 to FFr 46.5.

Switzerland

Shares were steady to narrowly mixed in lack-lustre trading, with Chemicals continuing to attract some buying. Bonds closed generally higher, however, influenced by hopes for a further decline in interest rates and a lack of new issues.

Ciba Geigy rose in active turnover on a widespread feeling that the company may be less affected by recession this year than other Swiss Industrials. Sandoz Bearer and Registered also edged up, but unofficially quoted Hoffman La-Roche retreated. Banks were mostly steady in moderate trading, while Oerlikon Buehrle eased in quiet Financials.

Johannesburg

Golds rose following the higher bullion price, with Heavyweights gaining up to R2.5, leading a broad market advance in moderate turnovere.

West Deep rose R2.5 to R42.75, Vaal Reefs R2.0 to R81.50 and Fregnls F1.75 to R40.50. Gencor Mines showed no deviation from the trend while in Diamonds, De Beers gained 10c to R8.68. Platinums, Coppers and Collieries rose, while Industrial gains outnumbered losses.

Amsterdam

Shares were mostly lower, with Unilever down 60c but Royal Dutch up 80c. Ned Mid Bank lost Fl 1. Rolinco fell Fl 1.40 and Robeco Fl 1. But Boskalis added Fl 1.20 and Elsevier Fl 1.

Brussels

Belgian share prices were mixed in quiet trading. Asturienne, Hoboken, Solvay, Mosane, Andre Dumont and Tabacofina rose, while Sidro, Ebes, Unerg, Union Miniere, Vieille Montagne, Socfin, UCB, St Roch, CBR and Arbed fell.

Milan

Prices closed generally lower in moderately active nervous trading. In Insurances and Financials Generali and Centrale firmed but in Banks, Mediobanca lost ground. Both Fiats, Olivetti, Pirelli Spa, Italcementi and Italmobiliare all eased.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

Indices

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Cocoa market up again

By Our Commodities Staff

THE RECOVERY in world cocoa prices continued yesterday with the March position on the London futures market ending £25 higher at £1,148.50 a tonne.

The rise reflected a strong overnight performance in New York and reports of producer plans to assist the International Cocoa Organisation's market stabilisation efforts.

In Accra, meanwhile, Ghana's parliamentary committee on agriculture, cocoa and fisheries has recommended ratification of the recently concluded International Cocoa Agreement. The committee's report will be presented to parliament early next week.

Meanwhile, Reuter reports that the Ghana Cocoa Marketing Board (CMB) has released approximately 1.14bn cedis to its produce-buying division since the start of the 1981/82 purchasing season just started, to buy 93,000 tonnes of cocoa, CMB deputy chief executive K. G. Eroyin told a parliamentary committee on agriculture, cocoa and fisheries.

The Ghana news agency quoted him as saying the CMB hoped to spend about 4bn cedis on purchases during the current season. At the present producer price of 12,000 cedis per tonne, this would represent about 330,000 tonnes of 1981/82 cocoa.

Tea producers reach quota agreement

NEW DELHI — The big tea producers reached an understanding on export quotas and [illegible] issues in a bid aimed at stabilising world market prices, [illegible] commerce ministry official [illegible] here.

[illegible] Sri Lanka and Kenya [illegible] agreed to accept a UN [illegible] Conference on Trade and Development (UNCTAD) compromise draft on the quotas and [illegible] functioning system that has held [illegible] an International Tea Pact between producer and consumer countries.

Officials of the three countries who met at a conference in Nairobi organised by Unctad accepted the draft that substantially accommodates the Kenyan views on quotas.

Tea producing countries will meet in New Delhi from February 8-12 next year. It is likely the Unctad document will be approved then, the official said.

Reuter

More European zinc price cuts

BY JOHN EDWARDS, COMMODITIES EDITOR

SEVERAL MORE zinc producers, including the only UK smelter at Avonmouth, A M and S (Europe) yesterday lowered their official European producer price by $50 to $950 a tonne. The price reduction follows the initial move by Metallgesellschaft, the West German smelter to cut its price by $80 to $920, but it seems that other producers favour a move to $950.

A reduction in the European zinc producer quotation became inevitable when Asarco decided to cut its U.S. domestic selling price by 2 cents a lb earlier this week, and values on the London Metal Exchange zinc market fell sharply.

However, yesterday news that producers were seeking to limit the cut in the European producer zinc quotation to $50 helped steady the LME market and cash zinc was only £4 down at £424.5 a tonne. Noranda, of Canada, reduced its U.S. producer price for lead by 1 cent to 31 cents a lb in line with a similar cut announced by Cominco. But there was only a marginal decline on the London Metal Exchange market where cash lead closed £3.5 down at £335 a tonne.

Copper also lost ground in spite of several U.S. producers lifting domestic prices by 1 or 2 cents to 81 cents a lb. Profit-taking sales, after the rise in prices for four trading days in succession, depressed the market and the high-grade cash price closed £10 down at £872 a tonne.

Tin trading remained quiet, in spite of a decline in the Penang market in Malaysia overnight where the Straits tin price fell by 14 cents to $M35.46 a kilo.

Silver stockpile bids rejected

BY NANCY DUNNE IN WASHINGTON

THE GENERAL Services Administration, attempting once again to sell off 1.25m ounces of silver from the U.S. strategic stockpile, for the fourth week in a row failed to award any silver at its weekly auction on Wednesday.

Prodded by rumours that President Reagan had suffered a heart attack, metal prices rose dramatically here. Gold jumped from $406.50 to $422 and silver, from $8.095 to $8.50. Heavy trading continued throughout the day, in spite of denials from the White House.

The rumours, reportedly originating from Switzerland where the Soviets were said here to be selling gold, did not affect the market in time to move the GSA silver. The agency offering had the smallest number of bidders yet — seven with bids ranging from $7.40 to $8.133.

Agency officials, conscious of fears that the sales may depress prices and wanting to earn as much as possible for their silver, have been extremely cautious about bids near or below the market lows. Only about 2m ounces have been sold since the sales began on October 14.

In an attempt to boost sales, the GSA has informed Congress of its intention to open up both silver and tin offering to foreign purchasers. Congress has until December 13 to object—either through its committees or through legislation. The House stockpile subcommittee has been polling its members on the question and will meet before the deadline to discuss the issue.

Large pockets of opposition to the sales still exist on Capitol Hill where lobbyists from Mexico, Peru and Canada have been complaining about the sales and where the Malaysians and Bolivians have been making a case against allowing tin sales to foreign bidders. GSA officials say foreign sales will, in the long run, make little difference to prices, but they are hoping to attract large international dealers as customers.

● Canada already has expressed its concern over U.S. sales of surplus stockpiled silver, and will not participate in a meeting today with representatives from the Idaho Congressional delegation and silver producing nations.

Record wheat output forecast

By Our Commodities Staff

WORLD WHEAT production could reach a new record level next year. The International Wheat Council yesterday estimated the 1982 crop at "around, or slightly above, 450m tonnes." This compares with a record crop of 453m tonnes in 1981.

But the 1982 projection is understood to be on the conservative side and assume a USSR crop of no more than "normal" proportions. A "good" Russian crop could lift the figure as high as 470m tonnes.

World trade in wheat in the 1982-83 season is expected by the IWC to reach 100m tonnes, against the 102m record established in the 1980-81 (July/June) season.

U.S. plantings are not likely to fall significantly while Canadian farmers are likely to maintain high sowings in line with the country's commitment to expand, the IWC said. Sowing delays in the EEC can be made up as long as the weather does not get too cold.

Import needs of developed countries are forecast to remain at around 13.5m tonnes but import requirements for centrally planned economies will depend on their own crops, foreign exchange availability and the need to rebuild depleted stocks.

Wheat production in developing countries is still falling behind usage, the IWC said. Commercial imports, which reached 43m tonnes in 1981-82, could still be well over 40m tonnes in 1982-83.

Boost for Israeli cotton

By L. Daniel in Tel Aviv

ISRAEL'S 1981 cotton crop, which has been picked and is now being ginned, will total 86,000-87,000 tonnes compared with 78,000 tonnes in 1980. It is the biggest crop ever, achieved mainly by increase in yield per acre of nearly 10 per cent.

Planned exports are 75,000 tonnes (63,000 tonnes in 1980) of which 52,000 have already been contracted for, as have 6,000 tonnes for local industry, which is expected to take a total of 10,000 tonnes.

FARMER'S VIEWPOINT

Taking the drudgery out of farming

OVER THE LAST few years the profitability of dairy farming has declined. Inflating feed costs, higher wages and only modest increases in the guaranteed price of milk have all eroded margins and cow keepers are complaining bitterly.

Where land quality allows and arable systems are possible, many have sold out and more are following in favour of cropping with cereals. Having tasted the freedom of arable farming, with weekends off except perhaps at planting time and harvest, and plenty of opportunities for relaxation between peak periods, few would even consider the drudgery of dairy farming again.

The Common Market's system of intervention has helped create the paradox by keeping the price of relatively easily grown grain at high levels, thereby increasing the cost of feeding stuffs to livestock farmers whose guarantees have been much less generous. Taken together these factors amount to an almost irresistible combination for those tempted to get rid of their livestock, with excellent prospects of producing more profit for less work.

The same kind of situation also extends to many high value but demanding arable crops like vegetables grown for processing, potatoes, and to some extent sugar beet.

Accordingly many are cutting back on the more expensive crops and increasing their acreages of cereals and of things like oilseed rape which can be grown more cheaply, harvested with cereal equipment, and are generously supported from Common Market funds.

That is not to say that rape and cereals are immune to cost inflation—merely that by virtue of their relatively low capital and labour demand and common market support prices they are less vulnerable and therefore more attractive to farmers than most other crops.

The trend began in the early 1970s when the development of the non-residual chemical herbicide paraquat allowed all surface weeds to be killed by spraying rather than ploughing. This in turn enabled enterprising farmers and machinery men to develop systems of direct drilling into unbroken soil, thereby making significant savings in time and tractor fuel.

As the area of cereals grown has increased so too have the number and intensity of diseases and pests which attack them. The greatest expansion has been that of autumn sown wheat and barley because they are capable of producing higher yields than spring sown crops. Cereals seeds are therefore often planted into soil which has only been cleared of a previous cereal crop a few weeks previously. The carry-over of diseases from one crop to the next has become an increasing problem, made worse by the fact that the infected soil is still on the surface and has not been buried by a plough.

Chemical companies claim that they can now control virtually all such diseases and there is little doubt that most of their claims are justified. But the cost of such control is coming under increasing scrutiny from farmers who are acutely conscious of the need to economise.

There has been a positive swing back to the plough this year as many farmers have decided to revert to cultivation rather than rely almost exclusively on chemicals to keep their crops clean. And although the agricultural machinery trade in general is still very depressed, in spite of official protestations to the contrary in advance of the Smithfield Show, some specific sectors have been doing good business as arable farmers have reorganised their tackle to match current thinking.

So, while tractor unit sales remain well below the 20,000 mark for the year against a norm of over 30,000 only a short time ago, the latest in cultivation equipment has been moving fairly fast. Expensive items, like combine harvesters, are having to last longer while cheaper specialist machines, like new low ground pressure sprayers and powered harrows have met brisk demand.

While reasonable profits are still obtainable from arable farming this pattern of purchasing will presumably remain. But pressure from the EEC to hold cereal prices back until they match world levels is becoming more insistent. At present this would imply a drop in UK on farm values of around 20 per cent and it is not a prospect which either farmers or the machinery trade can relish.

Against current costs, margins would virtually disappear on all but the best land and there would be little opportunity or enthusiasm for trying new systems or running financial risks to try to maximise yields. Livestock farmers, on the other hand would love it as feed prices fell.

David Richardson

Second year's drought threat to Morocco

BY FRANCIS GHILES, RECENTLY IN RABAT

FOR THE second year running Morocco is having to face a drought whose consequences are dramatic. Not only has the volume of cereals produced by the kingdom dropped by about 50 per cent, but rough estimates suggest that as much as 40 per cent of the livestock has been killed during the past 12 months.

The situation is so bad that King Hassan recently asked his subjects not to resort to the traditional killing of sheep for the Aid El Kebir feast, one of the most important dates in the Muslim calendar.

A few statistics provide a good guide to the situation. The cost of importing more than half the cereals needed to feed 20m Moroccans will double this year to about $500m. That figure represents nearly half the more than $1bn annual energy import bill.

This import bill is made even heavier by the 35 per cent rise in the value of the dollar in relation to the dirham between June 1980 and June 1981. During the first half of 1981 Morocco's oil bill and cost of food imports rose to $348.2m more than during the same period in 1980.

Even if it were to start raining this month, part of the cereal crop in the south of the country will be lost, while in the north-west of Morocco, traditionally an area where it rains frequently, the land is so hard that peasants have not been able to sow seed this autumn.

The mass slaughtering of Moroccan cattle is bound to have serious consequences for the economy in the years to come. More than half the country's inhabitants live on the land and while for the time being the price of meat in the big cities remains unchanged, later this year prices are bound to rise dramatically.

Last winter's drought was accompanied by very serious frosts which affected the fruit and vegetable crop, a sizeable part of which Morocco exports. If rains do not fall before Christmas, much of this year's crop of winter fruit and vegetables will be lost. Already the quality of what fruit—notably oranges—is sold in the country, is well below normal standards.

The drought has pushed many peasants off the land and increased what is already a very large movement from the countryside to the cities. The slums of these cities are swelling daily and many Moroccans fear a worsening of what are already grave social tensions, tensions which led in June to serious riots in the country's economic capital, Casablanca.

Price increases on staple foods—potatoes are sold today at the equivalent of price of 20p a pound—caused by the drought must be added to the very sharp rises the Moroccan Government announced last May and June in the price of cooking oil, milk, bread and other staple foods, following advice from the IMF and the World Bank. Last year the IMF extended to Morocco a three-year loan of $1bn and encouraged the authorities to cut the amount of subsidies they extended to keep down the price of basic foods.

The deficit of the Moroccan balance of trade, which in 1980 reached $1.88bn, is expected to rise this year to $2.1bn. Meanwhile the value of the country's agricultural production could well drop from $3.3bn in 1980 to as little as $1.9bn this year. These two figures explain the extent of the seriousness of the situation facing Morocco today.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL prices were mixed on the London Metal Exchange. Speculative interest lifted Copper through the £900 mark, but the price drifted off later to close at £897. Tin touched £8,140 before dividing down to finish at £8,090, while Lead was finally £345, Zinc £342, Aluminium £603 and Nickel £2,785. [partly illegible]

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grde	£	£	£	£
Cash	865-.5	-3	871.5-2.5	-10
3 mths.	901-.5	+1.75	888-.5.9	-7.5
Settlem't	865.5	-2	—	.....
Cathodes				
Cash	875-9	+1.5	867-9	-8
3 months	896-7	-2	893-.5	-6.5
Settlem't	879	-3.5	—	.....
U.S. Prod	—	.....	*75.5-84	.....

Amalgamated Metal Trading reported that in the morning high grade cash copper traded at £868.00. Three months £902.00, 03.00, 02.00, 01.00, 04.50, 04.00, 04.50, 03.00, 02.00, 01.00, 02.00, 02.50, 02.00, 01.5. Standard Cathodes: Cash £879.00. Three months £895.00. Kerb: Higher grade three months £900.00, 899.00, 98.50, 98.00, 97.00, 98.00, 99.00, 98.00. Afternoon: Higher Grade, cash £873.00. Three months £890.00, 88.00, 83.50, 89.00, 87.00, 86.50, 86.00, 86.50, 87.00, 86.00, 86.50, 88.00, 88.00, 89.00, 88.50, 89.00. Kerb: Higher Grade three months £889.00, 89.50, 90.00, 89.00, 89.50, 89.00, 88.50, 87.00, 86.00, 86.50. Turnover: 25,400 tonnes. [partly illegible]

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8350-5	-7.5	8350-5	-2.5
3 months	8110-5	-32.5	8130-40	+17.5
Settlem't	8355	-5	—	.....
Standard				
Cash	8350-5	-7.5	8350-50	-2.5
3 months	8110-5	-32.5	8130-40	-17.5
Settlem't	8355	-5	—	.....
Straits E.	$85.46	-14.1	—	.....
New York	—		—	.....

Tin—Morning: Standard cash £8,300, 50. Three months £8,110, 8,100, 8,080, 70, 80, 8,100, 15, 10. Kerb: Standard, cash £8,350. Three months £8,110, 20. Afternoon: Standard, cash £8,340, 50. Three months £8,140. Kerb: Standard, three months £8,130, 20, 10, 8,100, 8,080, 90. Turnover: 1,720 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	339.9-4	-1	337.5-8.5	-3.5
3 months	351-.5	-2.5	348-9	-2.75
Settlem't	340.7	+11	—	.....
U.S. Spot	—	.....	*32-6	.....

Lead—Morning: Cash £340.00. Three months £354.00, 53.00, 52.00, 51.00, 50.50, 51.00, 51.50. Kerb: Three months £351.50, 51.00. Afternoon: Three months £350.0, 49.00, 50.00, 49.50. Kerb: Three months £349.00, 48.00, 47.00, 46.00, 45.50. Turnover: 7,750 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	433.0-5.4	-1	424-5	-4
3 months	443-.5	-5	434-5	-2.75
S'ment	434	-2	—	.....
Prime'ts	—	.....	*46.75-50	.....

Zinc—Morning: Cash £434.00. Three months £443.00, 44.00, 43.50, 43.00, 43.50, 44.00, 43.50. Kerb: Three months £442.00, 42.00. Afternoon: Three months £436.00, 37.00, 35.50, 35.00, 35.00, 34.00, 33.50, 33.00, 32.00. Turnover: 8,625 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	587-.5	-4.75	579-81	-5
3 months	609-10	+5.75	601-2	-7

Aluminium—Morning: Cash £587.00, 87.50, 88.00. Three months £613.00, 12.50, 10.00. Kerb: Three months £609.00, 08.00. Afternoon: Three months £604.00, 05.00, 04.50, 04.00, 03.00, 02.00. Kerb: Three months £601.00, 02.00, 02.50, 03.00. Turnover: 14,750 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2805-15	+42.5	2740-800	+37.5
3 months	2805-10	+40	2740-800	+37.5

Nickel — Morning: Three months £2,830, 05, 10, 15, 17, 20, 15, 05. Kerb: Three months £2,810, 2,800, 2,795, 90. Afternoon: Three months £2,785, 80, 70, 75, 80, 85. Kerb: Three months £2,790, 2,800, 2,790. Turnover: 768 tonnes.

* Cents per pound. † $M per kilo. ‡ On previous unofficial close.

SILVER

Silver was fixed 22.35p an ounce higher for spot delivery in the London bullion market yesterday at 438.25p. U.S. cent equivalents of the fixing levels were: spot 849.7c, up 29.7c; three-month 872.7c, up 31.7c; six-month 900.9c, up 42.5c; and 12-month 963.7c, up 47.6c. The metal opened at 430-439p (828-845c) and closed at 429-439p (832-837c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	438.25p	+22.3	431.5p	+11.7
3 months	453.20p	+22.8	445.75p	+12.9
6 months	467.90p	+23.5	—	.....
12months	500.50p	+25.8	—	.....

LME—Turnover 123 (117) lots of 10,000 ozs. Morning: Three months 454.0, 55.0, 54.0, 53.5, 52.0, 51.0. Kerbs: three months 450.0. Afternoon: Three months 443.0, 44.0, 43.0, 42.0, 43.0, 45.5, 46.0. Kerb: three months 446.0.

COCOA

Futures gained £30 and closed on a steady note. The physical market also improved with both cocoa beans and products in reasonable demand at nearby positions, reported Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
Dec	1104-55	+35.0	1103-33
March	1148-49	+25.0	1154-32
May	1165-67	+26.0	1165-36
July	1165-67	+26.0	1163-42
Sept	1173-74	+25.5	1175-53
Dec	1188-89	+21.5	1190-73
March	1196-97	+27.5	1194-90

Sales: 3,766 (3,447) lots of 10 tonnes. ICCO—Daily price for December 3: 87.80 (85.69). Indicator price for December 4: 84.91 (84.00).

COFFEE

In line with New York London opened lower, reports Drexel Burnham Lambert. Losses were extended as continued commission house selling followed further weakness in New York. Trade support, however, was reported to return to opening levels before dealer profit-taking provided additional pressure to halt any further advance.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Jan	1096-99	-9.5	1105-85
March	1076-77	-10.0	1086-64
May	1072-75	-11.0	1078-62
July	1071-72	-11.0	1076-61
Sept	1071-72	-10.5	1077-60
Nov	1070-71	-10.0	1073-68
January	1061-71	-18.0	—

Sales: 2,207 (3,658) lots of 5 tonnes. ICO 1979 indicator prices for Dec 2 (U.S. cents per pound): Comp daily 121.29 (119.62); 15-day average 124.12 (124.26).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business): New Zealand cents per kg. Dec 366, 382, nil; Jan 375, 376, nil; March 381, 382, nil; May 390, 391, 391; July 406, 408, 407-405; Oct 410, 411, 411-410; Dec 413, 420, nil; Jan 418, 429, 428; March 426, 428, 427; May 431, 437, nil. Sales: 17.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 485.5, 487.5, 487.0-485.5; March 495.0, 496.0, 497.0-495.0; May 508.0, 507.5, 507.5-506.0. [partly illegible]

GAS OIL FUTURES

Prices were again weaker, falling to six-week lows in the near months to reflect a continuing weakness in the physical markets reports Premier Man.

Month	Yesterday's close	+ or —	Business Done
	$ U.S. per tonne		
December	321.00	-1.25	321.50-20.00
January	321.25	-2.00	322.00-21.00
February	321.25	-1.50	322.75-21.00
March	320.50	-1.00	322.00-20.50
April	319.00	-1.00	320.00-19.00
May	318.25	-3.75	320.00-17.00
June	318.00	-3.25	323.00-18.00
July	318.00	-2.25	319.00-18.00
August	320.00	-2.50	—

Turnover: 1,048 (1,034) lots of 100 tonnes.

GRAINS

The market opened unchanged on new crop barley, with the rest lower. Old crops recovered but then eased off to trade quietly within a narrow range, Acli reports.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterday's close	+ or —
Jan	108.35	-0.20	103.95	-0.05
Mar	111.40	-0.10	107.15	-0.15
May	114.45	-0.15	110.15	-0.15
July	117.35	-0.15	—	.....
Sep	105.90	-0.10	100.95	-0.05
Nov	109.50	-0.10	104.80	-0.2

Business done—Wheat: Jan 108.45-108.30, March 111.45-111.30, May 114.45-114.30, July 117.35-117.30, Sept 105.90 only, Nov no trades. Sales: 95 lots of 100 tonnes. Barley: Jan 104.00-103.85, March 107.15-107.00, May 110.10-109.90, Sept 101.10-100.90, Nov 105.00 only. Sales: 92 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent Dec 109.50, Jan 110.25 transhipment East Coast. English Feed fob Dec 110.25, Jan 112.25, Jan-March 114.25 East Coast. Maize: French first half Dec 128.50, second half Dec 129.50, Jan 131 quoted transhipment East Coast. S. African White/Yellow Dec 83. Barley: English Feed fob Dec 106.75 East Coast Scotland, Jan 108.50, Feb 110.50 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: W Mids 108.00, N West 107.00. Feed barley: S East 101.30, S West 102.30, W Mids 101.40, N West 102.30. The UK Monetary Coefficient for the week beginning Monday December 7 is expected to change to 0.930.

RUBBER

The London physical market opened steadier, attracted fair interest throughout the day, and closed on a quiet note. Lewis and Peat reported a December fob price for No. 1 RSS in Kuala Lumpur of 210.0 (208.0) cents a kg and SMR 20 175.0 (173.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Jan	52.50-53.10	52.40-52.50	53.20
Feb	53.10-53.20	52.80-53.10	—
Jan-Mar	53.10-53.20	52.90-53.20	53.50-52.40
Apl-Jne	56.20-56.30	55.80-55.90	56.70-55.90
Jly-Sept	58.10-58.20	57.50-57.60	58.00-57.00
Oct-Dec	60.20-60.30	59.50-59.60	60.50-59.70
Jan-Mar	62.20-62.40	61.50-61.70	62.50-62.70
Apl-Jne	64.40-64.60	63.50-63.70	64.50-63.90
Jly-Sept	71.50-71.60	71.40-71.50	65.60-71.50

Sales: 122 (144) lots of 15 tonnes and 17 (16) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 52.00p (51.25p); Jan 53.50p (53.00p); Feb 53.25p (52.25p).

POTATOES

LONDON POTATO FUTURES—In a quiet market recent rises were consolidated, reports Coley and Harper. Closing prices: Feb 58.00, —0.90 (high 58.60, low 57.60); April 70.00 unchanged (high 70.40, low 69.70); Nov 66.00, unchanged (high 66.30, low 65.90). Turnover: 103 (172) lots of 40 tonnes. [partly illegible]

SOYABEAN MEAL

SOYABEAN MEAL — The market opened slightly easier but firmed on trade buying at lower levels, reports T. G. Roddick. Prices steadied in light trading to close with marginal gains.

	Yesterday's close	+ or —	Business Done
	£ per tonne		
December	128.50-27.5	+1.20	128.00
February	129.50-29.5	.....	129.80-28.70
April	131.70-31.4	+0.20	131.60-31.20
June	132.50-33.0	+0.30	132.50-32.40
August	133.00-34.5	+0.05	[illegible]
October	134.50-37.5	+0.25	[illegible]
Dec	136.50-38.5	.....	—

Sales: 334 (154) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £159.00 (same) a tonne cif Dec-Jan shipments. White sugar daily price £167.00 (same).

Prices drifted in dull conditions before some short covering on a day-trade basis provided support at the close, reports C. Czarnikow.

No. 4 Con-tract	Yest'rd'y's close	Previous close	Business done
	£ per tonne		
Jan	164.80-65.20	161.80-62.00	165.50-62.20
Mar	165.05-65.10	162.40-62.45	165.60-62.60
May	167.65-67.70	165.40-65.60	168.10-65.60
Aug	170.70-70.75	168.85-69.00	171.10-68.90
Oct	173.60-73.75	174.00-74.25	173.75-74.00
Jan	176.50-77.00	177.25-78.00	—
Mar	179.25-80.00	179.00-81.00	—

Sales: 3,994 (4,129) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis white sugar was £375.00 (same) a tonne fob for home trade and £288.50 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for December 2: Daily price 12.52 (12.66); 15-day average 12.08 (12.04).

COTTON

Liverpool—No spot or shiment sales were registered. Extreme caution was displayed by users, after earlier keen buying. Only very minor transactions were under reviews, although pressure for North and South American styles was maintained.

★

HIDES—Manchester: A weaker tone prevailed. Second clears. Ox: 31-35.5 kg. 62.3p a kg (64.0p a kg withdrawn): 26-30.5 kg. 66.0p a kg (68.2p a kg withdrawn): 22-25.5 kg. 73.5p a kg (78.0p a kg withdrawn). Light cows: 25.5 kg. 74.0p a kg (76.5p a kg withdrawn).

★

GRIMSBY FISH — Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£7.60, codling £3.00-£4.00. Large haddock £3.80-£4.80, medium £3.50-£4.30, small £2.50-£3.25. Large plaice £6.50-£7.40, medium £6.00-£6.70, best small £5.60-£6.80. Skinned dogfish (medium) £3.00-£3.50. Lemon soles (large) £14.00, medium £11.50. Rockfish £3.30. Saithe £2.30-£2.40.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scot killed sides 81.7 to 84.7; Ulster hindquarters 94.5 to 96.7, forequarters 61.0 to 62.5. Veal: English fats 99.0 to 104.0; Dutch hinds and ends 131.0 to 134.0. Lamb: English small 77.00 to 82.0, medium 75.0 to 82.0. Imported frozen: New Zealand PL 62.0 to 63.0, YLs 55.0 to 59.0. Pork: English, under 100 lb 47.0 to 56.0, 100-120 lb 49.0 to 55.0, 120-160 lb 4.5 to 53.0.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 96.99p per kg l.w. (+2.09). UK—Sheep 135.99p per kg est. dcw (−10.35). GB—Pigs 81.36p per kg l.w. (+1.84).

COVENT GARDEN — Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Moroccan: Navels 48/113 4.20-4.50; Outspan Valencia Lates 48/56/72 4.40, 88 3.60, 112 3.30, 138 3.25, 150 3.25; Spania: Navels Navelinas 42/130 4.00-4.80. Clementines — Spania: 4.00-4.50; Moroccan: 2/6 3.50-4.50. Satsumas — Spania: 3.20-3.60. Lemons—Outspan: 88/162 4.50-6.00; Cyprus: 3.30-4.50; Jaffa: 150 5.00; Italian: 60/150 4.50; Spania: 40/50 2.40-2.50. Grapefruit — U.S.: Pink 32/48 7.00-8.00; Cyprus: Large cartons 3.60-4.80, small cartons 2.80-3.40; Cubans: Pink 2.00-2.50. Apples — French: New crop, Golden Delicious 20-lb 3.30-3.60, 40-lb 6.50-7.50, Stark Crimson 40-lb 7.00-8.00, 20-lb 3.40-4.00, Granny Smith 7.50-8.50; Canadian: Red Delicious 9.00-11.00; U.S.: Red Delicious 9.00-13.00; Hungarian: Starking 7.00; Dutch: Cox's 26-lb 4.80-5.20. Pears—Dutch: Comice 14-lb 3.80-3.90, Conference, per lb 0.14-0.18. Peaches—Zimbabwean: 4.00-5.60. Plums—U.S.: Per lb 0.48-0.50. Grapes—Spanish: Almeria 11-lb 2.20-2.80, Negra 3.20-3.60; Italian: Italia 3.00-3.50; U.S.: Almeria per lb 0.50, Red Emperor 0.70. Cherries—S. African: Per lb 1.00-1.30. Strawberries—Kenyan: 8-oz 0.80; New Zealand: 8-oz 1.30; Israeli: 1.10. Raspberries—S. African: 1.50. Litchees—Mauritious: Per lb 1.20-1.25. Melons—Spanish: 10-kilos, green 4.60-5.50. Pineapples—Ivory Coast: Each 0.40-1.00. Bananas—Colombian: Per lb 0.18-0.19. Avocados—U.S.: Large box 5.50-6.00, small box 2.50; Israeli: 4.00-4.20, Canary: Large box 5.00, small box 4.00. Mangoes — Kenyan: 8/16 6.00; Brazilian: 8.00. Pomegranates—Spanish: 24/60 3.60-4.20. Dates — Tunisian: 30 0.50-0.60; U.S.: 0.50. Figs — Turkish: 48 x 8-oz 0.19-0.20. Tomatoes—Dutch: 3.60-3.80; Spanish, 2.00-3.30; Canary: 2.20-3.60; Moroccan: 2.20. Onions — Spanish: Grano 3/6 3.00-4.00. Capsicums—Dutch: 5-kilos, red 4.90, green 6.75-7.00, yellow 6.00-6.50; Canary: Green 4.00-4.20. Cabbages — Dutch: White 2.80, red 3.00. Celery — Israeli: 3.80; Spanish: 3.40-3.60.

English Produce: Potatoes—per 55 lb, White 2.20-2.50, red 2.50-2.80, King Edwards 2.60-3.10. Mushrooms—per pound, open 0.40-0.60, closed 0.60-0.70. Apples—per pound, Bramley 0.22, Cox's 0.20-0.28, Spartan's 0.20-0.25, Russets 0.15-0.25. Pears—per pound Conference 0.14-0.20. [remainder illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 3 1981	+ or —	Month ago
Metals			
Aluminium	£810/815		£818/815
Free Mkt	$1180/1190		$1108/150
Copper			
Cash h grade	£878	-10	£899.75
3 mths	£889.75	-7.5	£928.75
Cash Cathode	£868	-8	£894
3 mths	£884	-6.5	£923
Gold troy oz	$416	+6.25	$439.25
Lead Cash	£338	-3.5	£371.25
3 mths	£348.5	-2.75	£385.25
Nickel	£2,678.65		£4,189.5
Free mkt	330/360c		281/30c
Platin'm tr'y oz	£260		£260
Free Mkt	£209.95	+5.8	£221.30
Quicksilver†	$420/425		$422/427
Silver troy oz	438.25p	+22.25	482.90p
3 mths	453.20p	+22.8	501.20p
Tin Cash	£8,352.5	-2.5	£8,805
3 mths	£8,135	+17.5	£8,500.5
Tungsten	£2.18 lb		$141.65
Wolfrm 22.04 lbs	$127/131		$133/138
Zinc Cash	£424.5	-4	£496.5
3 mths	£434.5	+2.75	£511.25
Producers	$1000		$1000
Oils			
Coconut (Phil)	$555y		$580
Groundnut	$765w		$800
Linseed Crude	£400		£460
Palm Malayan	$485y		$510
Seeds			
Copra Philip	$360		$365
Soyabean (U.S.)	$263.5	+6	$264.5
Grains			
Barley Fut. Mar	£107.15	-0.15	£103.90
Maize	£128.5		£127.25
Wheat Fut. Mar	£111.40	-0.10	£108.90
No2 Hard Wint	—		‡
Other commodities			
Cocoa ship't*	£1,230	+34	£1,228
Futures Mar.	£1148.5	+25	£1156.5
Coffee Ft' Mar	£1077	-10	£1148.5
Cotton A.Index	68.30c	-0.15	74.85c
Gas Oil Jan.	$321.25	-2	$322.5
Rubber (kilo)	52p	+0.25	56.5p
Sugar (Raw)	£159w	.....	£157
Woolt'ps 64s kl.	370p kilo	.....	388p kilo

‡ Unquoted. w Dec-Jan. x Jan. v Nov-Dec. † Per 76-lb flask. * Ghana cocoa. n Nominal. § Seller.

AMERICAN MARKETS

Precious metals and copper rallied on news of Senate approval to stop U.S. silver stockpile sales. Coffee advanced on dealer buying in a nearby tight market. Cocoa was moderately higher on favourable prospects for additional credit for ICCO buffer stock purchases. Escalation of the Iraqi-Iranian conflict led to moderate short covering and higher values for heating oil, reported Heinold.

NEW YORK, Dec 3.

Copper—Dec 74.75-75.10 (76.50), Jan 75.20 (77.05), Feb 76.25, March 76.80-77.30, May 78.60-78.80, July 80.00, Sept 81.80-82.00, Dec 83.95, Jan 84.75, March 86.35, May 87.95, July 89.55, Sept 91.15.

*Platinum—Dec 407.5 (408.1), Jan 409.5-411.0 (410.6), April 420.0-420.5, July 431.0, Oct 443.2.

Potatoes (round whites)—Feb 70.7-71.0 (70.7), March 75.7-76.0 (75.5), April 86.2-86.3, Nov 78.1-78.5. Sales: 475.

¶Silver—Dec 858.0 (854.5), Jan 870.2 (861.0), Feb 878.5, March 884.0-889.0, May 905.0-909.0, July 925.0, Sept 940.0-946.0, Dec 972.5, Jan 982.0, March 1001.0, May 1020.0, July 1039.0, Sept 1058.0. Handy and Harman bullion spot: 828.00 (822.50).

Sugar—No. 11: March 12.60-12.63 (12.80), May 12.76-12.77 (12.96), July 12.95-12.97, Sept 13.25, Oct 13.43-13.44, Jan 13.52, March 13.98, May 14.15-14.30. Sales: 8,075.

Tin—725.00-730.00 (735.00-737.00).

CHICAGO, December 3.

Lard—Chicago loose 20.50 (same).

Live Cattle—Dec 62.05-61.97 (62.55), Feb 61.65-61.60 (62.12), April 61.50-61.40, June 62.20-62.27, Aug 62.00, Oct 60.80, Dec 61.80.

Live Hogs—Dec 42.30-42.60 (43.07), Feb 44.15-44.45 (45.47), April 42.85-42.80, June 45.17-45.10, July 46.10, Aug 45.05, Oct 44.25, Dec 45.60, Feb 46.75.

‡‡Maize—Dec 264½-264¼ (264¾), May 294¼-294½ (293¾), July 300½-300¾, Sept 303½, Dec 307½-308.

Pork Bellies—Feb 59.50-59.60 (60.57), March 59.40-59.60 (60.77), May 60.30-60.60, July 61.45-61.55, Aug 60.85.

†Soyabeans—Jan 657-655½ (653), March 672½-672 (668½), May 688, July 703-702, Aug 706, Sept 705½, Nov 707, March 738.

‖Soyabean Meal — Dec 193.4-193.5 (188.6), Jan 194.5-195.0 (192.0), March 197.3-197.5, May 200.5, July 203.5-203.0, Aug 203.0-203.5, Sept 204.0-204.5, Oct 204.5-205.0, Dec 208.0-209.0.

Soyabean Oil—Dec 20.02 (20.11), Jan 20.32-20.33 (20.43), March 20.92-20.91, May 21.47-21.48, July 21.97-22.00, Oct 22.30-22.35, Dec 22.65-22.75.

†Wheat—Dec 418¾-419 (416¾), March 440¾-441 (438½), May 447½, July 443¼-449½, Dec 470.

WINNIPEG, December 3.

§Barley—Dec 116.20 (116.50), March 123.40 (124.00), May 127.60, July 129.70, Oct 132.80.

§Wheat—SCWRS 13.5 per cent protein content cif St Lawrence 244.09 (248.14).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

Wednesday's closing prices

Coffee—"C" Contract: Dec 140.00 (136.20), March 131.00 (128.25), May 126.40-126.75, July 125.00, Sept 124.00, Dec 122.75, March 121.00-121.70, May 115.00-121.00. Sales: 2,920.

Cotton—No. 2: Dec 61.70 (61.45), March 64.12-64.20 (63.63), May 65.65-65.75, July 67.05-67.13, Oct 69.00, Dec 69.98-70.30, March 71.20, May 72.30-72.40. Sales: 5,350.

Heating Oil (dollars per U.S. gallon)—Jan 1.0134, Feb 1.0161, March 1.0052, April 0.9931, May 0.9920, June 0.9920, July 0.9840, Aug 0.9880, Sept 1.0049, Oct 1.0200. Turnover: 8,827.

Orange Juice—Jan 126.25 (125.95), March 127.40 (126.35), May 128.60, July 129.60, Sept 130.90-131.00, Nov 121.90-132.00.

CHICAGO, December 2.

Chicago Imm. Gold—Dec 421.5-422.5 (407.2), March 433.0-432.0 (415.8), June 446.5-445.0, Sept 458.8, Dec 472.4, March 486.3, June 500.4, Sept 514.7.

EUROPEAN MARKETS

ROTTERDAM, December 3.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent mid-Dec/mid-Jan 213, mid-Jan/mid-Feb 215. U.S. No. Two Red Winter Jan 188, Feb 191. U.S. No. Three Amber Durum Dec 188, mid-Jan/mid-Feb 202. U.S. No. Two Northern Spring 14 per cent Dec 192, Jan 204, Feb 205.

Maize—(U.S. $ per tonne): U.S. No. Three Corn Yellow afloat 126, Dec 124, Jan 128, Feb 130, March 132, April/June 134, July/Sept 137, Oct/Dec 139.50.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Dec 262.25, Jan 268, Feb 268.50, March 269.75, April 272.75, May 274.50, June 276.50, July 279, Aug 280, Sept 280, Oct 279.75, Nov 280, Dec 285.50 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 236, Dec 235, Jan 237, Feb/March 237, April/Sept 249 sellers. Brazil Pellets afloat 250, Nov 253, mid-Nov/mid-Dec 252.50, Dec 255, Jan/March 258, April/Sept 256.50 sellers.

PARIS, December 3.

Cocoa—(FFr per 100 kilos): Dec 1227-1250, March 1228-1229, May 1235-1250, July 1230 bid, Sept 1225-1250, Dec 1255-1305, March 1310 bid. Sales at call: 2.

Sugar—(FFr per tonne): March 1850-1863, May 1901-1903, July 1930-1940, Aug 1955-1985, Oct 1990-2015, Nov 1990-2015, Dec 2010-2050, March 2060-2080. Sales at call: nil.

INDICES

FINANCIAL TIMES

Dec. 2	Dec. 1	M'nth ago	Year ago
248.89	247.02	256.91	266.58

(Base: July 1, 1952=100)

MOODY'S

Dec. 2	Dec. 1	M'nth ago	Year ago
986.4	988.0	997.3	1277.3

(December 31, 1931=100)

DOW JONES

Dow Jones	Dec. 2	Dec. 1	Month ago	Year ago
Spot	133.43	132.74	140.24	[illegible]
Fut	135.82	137.67	151.68	[illegible]

(Average: 1924-25-26=100)

REUTERS

Dec. 3	Dec. 2	M'th ago	Year ago
1511.9	1511.3	1542.5	1757.9

(Base: September 18, 1931=100)

Reductions in base lending rates fail to help markets
Gilts ½ lower and Share index 11.1 down at 519.9

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 22	Jan 4
Dec 23	Jan 7	Jan 8	Jan 18

* "New time" dealings may take place from 9 am two business days earlier.

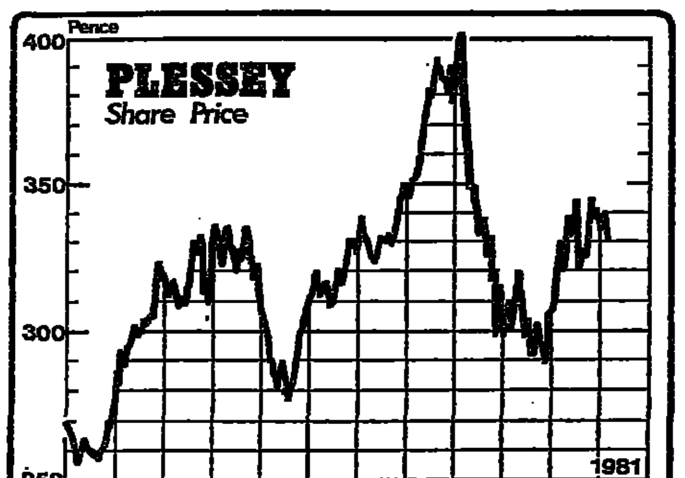
The first full day's Stock Exchange trade following Sir Geoffrey Howe's economic package left the two main areas of investment with widespread falls. Attention in Gilts, which, if anything, should have benefited from the Chancellor's statement, remained centred on trends across the Atlantic. Prime rate cuts earlier in the week to 15½ per cent instead of the hoped for 15¼ per cent led to thoughts that the move to lower U.S. interest rates had levelled out, and the Gilt-edged market took its cue from the overnight weakness in U.S. bond prices rather than from yesterday's UK bank base rate cuts which had, in any case, been discounted.

Long-dated stocks bore the brunt of the reaction with closing quotations recording losses ranging to ½. Short-dated issues responded more positively, but finished below the best with gains of ⅛ in the earlier maturities. The Government Securities index reacted 0.25 to 64.05.

Selling of equities was not particularly heavy, but offerings found the market unwilling and earnings about a third up at the half-way stage failed to prevent double figure losses in GEC and Plessey.

Third-quarter net income from British Petroleum at the lower end of market expectations left the shares 12 lower at 326p and accelerated the reaction in other leading equities, a fall of 7.6 in the FT 30-share index at 1.00 pm being extended to 11.5 two hours later. A small technical rally in the after-hours' dealings left the index a shade above the worst with a loss of 11.1 on balance at the close of 519.9. Constituent John Brown fell 5 for a two-day drop of 19 to 59p following the company's profits warning. Elsewhere, Pilkington Bros. weakened afresh on the half-yearly figures and closed at 268p, down 30 on Monday's close.

Activity in Traded options picked up considerably and 2,294 deals were struck, comprising 1,551 calls and 743 puts. The increased business was almost entirely due to active trading in two stocks: British Petroleum attracted 438 calls and 229 puts following the third-quarter figures, while Imperial recorded 492 calls, 422 of which were taken out in the February 80's, and 250 puts. Wednesday's dealings, unobtainable due to technical difficulties, saw 1,250 trades completed, 1,004 calls and 246 puts.



Banks easier

Nimslo, under selling pressure since last Monday's start of trade in the Unlisted Securities Market, rallied 10 to 155p. Feedback, another recent newcomer to the USM, attracted interest and, in a thin market, put on 5 to 105p. Elsewhere in the new issues sector, Cable and Wireless eased 2 to 195p and Exco a penny to 172p.

The further ½-point reduction in base lending rates, to 14½ per cent, failed to enthuse the major clearing banks which drifted lower with the general trend. NatWest lost 10 to 388p as did Barclays, to 450p, while Lloyds relinquished 7 to 435p and Midland cheapened 5 to 330p. Elsewhere, Royal Bank of Scotland's modest 5 per cent increase in annual profits left the shares a couple of pence dearer at 190p, after 195p; the shares have been firm of late on hopes that the authorities will allow Hongkong and Shanghai's offer to proceed.

Insurances ended with modest losses. Commercial Union shed 4 to 131p as did General Accident, 338p and Royals, 353p. Phoenix cheapened 2 to 254p on further consideration of the third-quarter figures. Hambro Life gave up 5 to 314p and Pearl dipped 4 at 418p.

Breweries drifted lower for want of attention and although some scattered "cheap" buying was noted, most closed at the day's lowest. Grand Metropolitan, 181p, and Whitbread, 138p, gave up 5 apiece, while Bass shed 3 to 206p. First-half earnings from Greenall Whitley were in line with market expectations and the shares finished 4 lower at 136p. Wines and Spirits turned irregular: Arthur Bell, 148p, and Highland, 79p, both eased a couple of pence, but Invergordon firmed that amount to 150p.

Selected Building issues moved against the trend. BPB Industries firmed 4 to 318p, while French Kier added a couple of pence to 94p following confirmation that Trafalgar House has sold its 15.3 per cent stake in the company to Fairclough Construction, a penny cheaper at 130p. Demand in a market short of stock lifted Wilson (Connolly) 12 to 172p, while Burnett and Hallamshire firmed ½ to £10! in response to the increased interim profits and dividend. Barratt Developments, a good market recently, touched a 1981 peak of 266p before settling a penny cheaper on balance at 262p.

ICI encountered selling in sympathy with the disappointing BP figures and reacted to 282p before closing a net 10 down at 284p. Elsewhere in the Chemical sector, Leigh Interests, down to 116p awaiting the interim results, rallied on the announcement to close 4 cheaper on balance at 120p.

Leading Stores drifted lower with jobbers attempting to establish a trading level. Gussies "A" closed 8 cheaper at 410p, while House of Fraser, still awaiting the Monopolies Commission's report on the bid from Lonrho, gave up 5 to 174p. W. H. Smith, 165p, Burton, 131p, and [illegible], 144p, all eased 4. Secondary counters also finished with moderate losses. Raybeck eased 3 to 68p, while Term-Consulate, firm of late on takeover speculation, fell a similar amount to 61p. Fine Art Developments closed 4 lower at 46p following the interim profits setback. Other mail-order concerns also trended lower, Freemans easing 4 to 118p and Empire a couple of pence to 66p.

GEC and Plessey fall

Interest in Electricals centred on GEC and Plessey following their interim trading statements. First-half profits from GEC proved to be somewhat disappointing, being at the bottom end of market estimates, and the shares drifted lower to close 15 down at the day's lowest of 778p. Plessey's figures were in line with expectations, but profit-taking took the shares from an early firm level of 345p to 328p before a close of 10 down on balance at 330p. Thorn EMI, the only 30-share constituent to move against the trend, added 5 to 450p. Racal gave up 8 at 417p and Murray Technology fell 7 to 78p, the latter following disappointing interim results.

Still reflecting the chairman's shock warning that current year profits will be below the already depressed level of last year's, John Brown touched 58p before closing 5 down for a two-day relapse of 19 at 59p. Other Engineering majors were also dull with Hawker sustaining a fall of 6 at 314p and Vickers a loss of 4 at 156p. In complete contrast, United Wire jumped 18 to 65p on the much better-than-expected preliminary results. Reflecting the first-quarter profits recovery, Ductile Steels hardened a penny to 91p, while Baker Perkins found support at 78p, up 3. Dealings in Braham Millar were suspended at 24p pending the result of Bath and Portland's tender offer which came after market hours.

The majority of leading Foods drifted a few pence easier. In the absence of bid developments Ranks Hovis McDougall, at 65p, gave up 2 of the previous day's late speculative gain of 5½. Tate and Lyle declined 4 to 182p and Cadbury Schweppes a penny to 86p while, in Retailers, J. Sainsbury gave up 5 to 490p and Associated Dairies a couple of pence to 120p.

Against the trend in Hotels and Caterers, Ladbroke, a poor market of late, rallied 4 to 130p.

Scapa pleases

Miscellaneous Industrial leaders took a distinct turn for the worse. Comment on the disappointing interim figures prompted a reaction of 10 in Pilkington, making a two-day fall of 30 to 268p. Glaxo gave up 10 to 412p and Unilever 7 to 603p, while Rank Organisation, firm recently on bid speculation, relinquished 5 to 156p and Smiths Industries fell 9 to 368p. Elsewhere, Scapa touched 162p and closed a net 7 up at 159p on record interim profits, while favourable first-half trading statements also benefited Cawoods, at 218p, and Pauls and Whites, at 163p, up 4 and 5 respectively. Speculative buying lifted Cowan de Groot 6 to 31p, while R. W. Toothill revived with an improvement of 3 to 48p. Sangers, at 34p, lost half of the previous day's speculative rise of 8.

Among Publishers, Routledge and Keegan Paul, a narrow market, were marked 7 higher to 135p in response to the increased first half profits and return to the interim dividend list. Gordon and Gotch firmed a few pence to 127p. Elsewhere, printers and stationers Sir Joseph Causton announced increased preliminary earnings and closed 3 up at 29p. Support was also forthcoming for Mills and Allen, 12 to the good at 450p.

With the latest cut in base lending rates already discounted, Properties traded quietly around the overnight levels and closed narrowly mixed. Land Securities, a touch better at one stage, finished 2 cheaper on balance at 309p, while MEPC reverted to 247p, after 248p. Great Portland Estates were quoted at 177p, down 4, ex the rights issue, the new nil-paid shares opening at 18p premium and closing at 15p premium. Berkeley Hambro attracted fresh support and gained 5 to 243p and Peachey improved 3 to 144p. Elsewhere, Lagandale Estates touched 30p before settling a net 2 off at 27p following the share exchange offer, currently worth 30½p, from Starla Holdings, a penny cheaper at 13p. Federated Land firmed 5 to a 1981 peak of 144p.

Trust Securities, a good market recently, closed 2 cheaper at 328p, after 335p, following the statement on the Heathrow development.

BP react

Standing 4 cheaper awaiting the third-quarter figures, British Petroleum reacted to 322p on profits at the lower end of market estimates before closing a net 12 down at 326p. Shell finished 6 off at 396p, after 392p. Elsewhere, Burmah shed 4 to 121p; the company lost its final legal battle over £3m corporation tax assessed nine years ago. Lasmo came on offer and lost 15 to 480p, while Ultramar shed 10 to 498p and Tricentrol 6 to 264p. NCC Energy gave up 5 to 90p on news that the company has increased its stake in Simplicity Pattern of the U.S. to 20 per cent. Against the trend, KCA International attracted new-time interest and firmed 6 to 148p, as did Candecca, which added 4 to 212p. The Australian Claremont Petroleum, firmed 5 for a two-day gain of 17 to 42p on the Cooper Basin drilling report.

An otherwise uneventful session in Textiles was enlivened by Dawson International which dropped 11 to 130p, after 127p, following disappointing mid-term results. In contrast, David Dixon continued to draw strength from the interim results announced earlier in the week and rose 3.

Golds recover

Gold shares were the feature in mining markets, prices being marked up in some cases over a point on the back of renewed strength in bullion early in the day. Gold touched $419, before drifting off later to close at $416 for a gain of $6.25.

The Gold Mines index registered a sharp rise of 15.5 to 327.5, its highest level for three weeks.

Hartebeestfontein led the way among the heavyweights with a jump of 2½ to £28¼, while St. Helena, £18½, and Vaal Reefs, £33½, both ended more than a point better. Gains of around a point were common to Buffels, £19½, Southvaal, £15¾, Western Deep Levels, £17½ and President Steyn, £15¾.

Durban Deep shone among the lower-priced issues with a jump of 60 to 983p. Stilfontein ended a similar amount to the good at 880p and Doornfontein put on 48 to 958. Rises of more than 30 were common to East Rand Proprietary, 647p, Kinross, 634p, Libanon, 896p, Venterspost, 550p, Harmony, 725p and Welkom, 595p.

South African Financials also put on a strong performance, with most of the gold-linked counters making good gains. Anglo American Gold moved up 1 to £43, and Gold Fields of South Africa closed a similar amount to the good at £38½. Gencor, 980p, Middle Wits, 650p, Rand Mines Properties, 305p, all advanced 10.

London Financials opened stronger, but drifted lower during the day in line with other equities. Charter closed unchanged at 240p, after 247p, while Gold Fields gained 6 to 453p, after 485p, and Rio Tinto-Zinc eased 2 to 460p, after 465p. Golds also influenced Australians, with Gold Mines of Kalgoorlie 25 higher at 375p. Poseidon gained 8 to 180p, but North Kalgurli, overshadowed by the partial bid approach from Metals Ex. failed to respond and remained at 74p.

Elsewhere, Tara lost 20 to 525p on fears that the mine might be forced to close if the industrial dispute is not resolved, and further profit-taking clipped 7 from Hemerdon, 65p.

FINANCIAL TIMES STOCK INDICES

	Dec. 3	Dec. 2	Dec. 1	Nov. 30	Nov. 27	Nov. 26	A year ago
Government Secs	64.05	64.30	64.21	64.75	64.40	64.56	70.39
Fixed Interest	64.54	64.61	64.53	64.75	64.65	64.58	71.77
Industrial Ord.	519.9	531.0	530.8	537.8	533.4	526.1	478.2
Gold Mines	327.5	312.0	315.0	323.0	320.5	320.7	525.2
Ord. Div. Yield	5.80	5.69	5.72	5.65	5.69	5.74	7.40
Earnings, Yld. % (full)	9.96	9.77	9.79	9.68	9.74	9.76	16.52
P/E Ratio (net) (*)	12.84	13.08	13.07	13.23	13.14	13.13	7.42
Total bargains	17,537	16,530	16,013	19,835	18,340	17,901	21,571
Equity turnover £m.	—	119.63	95.60	110.28	124.35	149.22	141,055
Equity bargains	—	11,758	13,363	13,926	13,155	13,579	17,296

10 am 527.2. 11 am 523.6. Noon 525.0. 1 pm 523.4. 2 pm 520.0. 3 pm 519.2.
Latest Index 01-246 8026.
*Nil=11 44.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35 Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (5/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 3	Dec. 1
—Daily Gilt Edged Bargains	180.4	198.0
Equities Bargains	76.2	86.6
Value	241.8	193.2
5-day Avrge. Gilt-Edged Bargains	168.8	197.7
Equities Bargains	85.2	87.9
Value	242.2	249.2

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
§80	F.P.	—	84	80	✠A & G Sec. Elecs.5p	82	...	b2.75	2.3	3.0	20.5
§70	F.P.	30/11	73	68	✠Acsis Jewellery	70	−1	u3.7	2.0	7.6	17.5
—	F.P.	4/12	850	775	✠Asprey	825	...	35.0	3.3	6.0	6.0
168	F.P.	8/1	205	191	Cable & Wireless 50p	195	−2	b6.3	2.0	4.6	15.5
§35	F.P.	—	35	33	✠City Site	34	...	b0.5	1.2	2.1	56.4
80	F.P.	—	85	81	✠Equipu	83	...	bd3.1	2.1	5.3	12.8
140	F.P.	—	187	170	Exco 10p	172	−1	b4.5	2.2	3.7	17.3
—	F.P.	—	9	9	F&C Enter. Warrants	9	—	—	—	—	—
§90	F.P.	4/12	105	95	✠Feedback 10p	105	−5	b2.0	3.0	2.7	17.6
§50	F.P.	9/12	50	41	✠Gr'nw'hCable&Cm.	41	...	—	—	—	—
§10½	F.P.	2/12	18	14	✠Humberside El. 10p	18	...	—	—	—	—
65	F.P.	2/12	78	69	✠JohnstonesP'int10p	74	...	b3.53	2.5	6.8	7.7
‖	50p	—	117	100	††Moray Firth Exp.	100	...	—	—	—	—
100	F.P.	—	104	100	NewAustraliaInv.50p	101	...	—	—	—	—
US$4.25	F.P.	—	205	165	✠Nimslo Int. 20c	155	+10	—	—	—	—
—	F.P.	—	8	8	Sampang (Java)2½p	8	−1	—	—	—	—
—	50p	—	82	75	✠Saxon Oil	76	...	—	—	—	—
§67	F.P.	18/12	70	68	✠Sheldon Jones	70	...	u3.5	2.4	7.1	7.9
†	F.P.	—	35	32	✠Television South10p	32	−1	—	—	—	—
§62	F.P.	4/12	64	60	✠V.W.	62	−1	bd3.94	2.3	8.8	5.8
—	F.P.	—	5	4½	Viners 1p	4½	...	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price	+ or −
‡	F.P.	26/10	83½p	81p	Asprey 9½% Cum. Prf.	85p	...
**	F.P.	—	38p	38p	Cater Ryder 4.2 2nd. Cum.Prf.	38p	...
§33p	F.P.	—	33p	32p	City Site Ests. 10% Cnv. Cum. Red. Prf.	32p	...
100	F.P.	—	100	100	✠Dunton 12% Conv. Cum. Red. Prf.	100	...
**	F.P.	10/12	103	102	E. Worcs Waterworks 10½% Rd. Prf. '86	103	...
100	£10	—	13	12	Essex Water 10% Red. Prf. 1986	13	...
51p	F.P.	—	54p	52p	Inchcape 5½% Cum. Red. Prf. 1990/2	54p	...
**	F.P.	—	143p	135p	McLeod Russel 8.4% Cnv. Red. Cum. Prf	143p	+2
§100	F.P.	—	100½	100	Nat'wide Bdg.Society15½%Bds(24/11/82)	100½	...
‖£1	F.P.	18/11	102½	100⅛	Staffs. Pots. 10% Cnv. Cum. Prf.	102	...
†	F.P.	—	88	86	✠Television South Loan '86-88	88	...
—	F.P.	—	135	115	Viners 10% Cnv. Loan 1988	115	...

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
275	F.P.	13/7	2/12	340	229	BP	328	−12
20	F.P.	13/11	11/12	37	20½	Brown & Jackson	37	...
2.5A$	Nil	—	—	74pm	60pm	C S R	74pm	+8
162	Nil	—	—	18pm	15pm	Great Portland Estates	15pm	...
14	F.P.	27/11	6/1	24	18	Lancaster (D.M.)	23	...
126	F.P.	2/12	15/1	17pm	8pm	Northern Foods	9pm	...
7½	Nil	—	—	143	134	Raglan Prop.	1½pm	...
50	Nil	—	—	1pm	¼pm	Strong & Fisher	1pm	...
05cts	Nil	—	—	117pm	108pm	T N T	116pm	...
20	F.P.	13/11	15/12	43	33	Websters	41	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. m Interim since increased or resumed. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Issued as a unit comprising 33 Ordinary and £5 Loan 1986-88.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	Wednesday's No. of price changes	Wednesday's closing price pence	Day's change	Stock	Wednesday's No. of price changes	Wednesday's closing price pence	Day's change
Pilkington	19	278	−20	Distillers	11	182	+5
Brown (John)	14	64	−14	Midland Bk	11	335	+7
Charter Cons.	13	240	+7	RHM	11	67	+6
RTZ	13	462	−3	Shell Trans.	11	402	+2
GEC	12	793	+10	Barratt Dev.	10	263	+8
Imperial Grp.	12	72	+4	Cable & Wire.	10	197	+3
Nimslo Intl.	12	145	−20	Eng China Clys	10	154	+5

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BP	326	−12	Plessey	330	−10
Burton	131	−4	Pres. Brand	£19¼	+¾
Dawson Intl.	130	−11	Pres. Styn	£15¾	+¾
GEC	778	−15	Racal Electronic	417	−8
House of Fraser	174	−5	Unilever	603	−7
Pilkington	268	−10	United Wire	65	+18

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, December 2, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.08
Albania	Lek	5.1888
Algeria	Dinar	4.1875
Andorra	Fr. Franc	5.627
	Sp. Peseta	95.52
Angola	Kwanza	27.627
Antigua	E. Caribbean $	2.7025
Argentina	Peso (C) (4)	6774.00
	Peso (F) (5)	10625.00
Australia	Dollar	0.8276
Austria	Schilling	15.6475
Azores	Port. Escudo	64.35
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	95.52
Bangladesh	Taka	17.75
Barbados	Dollar	2.01
Belgium	Franc (C)	37.81
	Franc (F)	42.30
Belize	Dollar	2.00
Benin	C.F.A. Franc	281.35
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	9.1075
Bolivia	Peso	24.75
Botswana	Pula	0.8811
Brazil	Cruzeiro	120.84
Brunei	Dollar	2.0525
Bulgaria	Lev	0.928
Burma	Kyat	6.4515
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	281.35
Canada	Dollar	1.1775
Canary Is.	Sp. Peseta	95.52
Cape Verde	Escudo	36.51
Cayman Is.	Dollar	0.835
Cen. Af. Rep.	C.F.A. Franc	281.35
Chad	C.F.A. Franc	281.35
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.7195
Colombia	Peso (O)	55.20
Comoros	C.F.A. Franc	281.35
Congo P'ple.Rep.of	C.F.A. Franc	281.35
Costa Rica	Colon (O)	8.60
	Colon	20.03
Cuba	Peso	0.8012
Cyprus	Pound*	2.3164
Czechoslovakia	Koruna (O)	5.80
Denmark	Krone	7.181
Djibouti Rp. of	Franc	178.50
Dominica	E. Caribbean $	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre	28.425
Egypt	Pound* (O)	1.4493
	Pound* (3)	1.218
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	191.04
Ethiopia	Birr (O)	2.0596
Faeroe Is.	Dan. Krone	7.181
Falkland Is.	Pound*	1.9465
Fiji	Dollar	0.8613
Finland	Markka	4.315
France	Franc	5.627
Fr. C'ty in Af.	C.F.A. Franc	281.35
Fr. Guiana	Franc	5.627
Fr. Pac. Is.	C.F.P. Franc	87.3362
Gabon	C.F.A. Franc	281.35
Gambia	Dalasi	2.055
Germany (E)	Ostmark (O)	2.2273
Germany (W)	Mark	2.2273
Ghana	Cedi	2.75
Gibraltar	Pound*	1.9465
Greece	Drachma	56.15
Greenland	Dan. Krone	7.181
Grenada	E. Caribbean $	2.7025
Guadaloupe	Franc	5.627
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	37.4935
Guinea Rep.	Syli	21.035
Guyana	Dollar	5.0265
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.595
Hungary	Forint	35.00
Iceland	Krona	7.173
India	Rupee	9.1075
Indonesia	Rupiah	630.00
Iran	Rial (O)	79.00
Iraq	Dinar	0.2996
Irish Rep.	Punt*	1.5915
Israel	Shekel	14.86
Italy	Lira	1194.50
Ivory Coast	C.F.A. Franc	281.35
Jamaica	Dollar	1.7854
Japan	Yen	216.15
Jordan	Dinar	0.3315
Kampuchea	Riel	n.a.
Kenya	Shilling	10.1754
Kiribati	Aust. Dollar	0.8726
Korea (Nth)	Won	0.94
Korea (Sth)	Won	688.00
Kuwait	Dinar	0.2822
Lao P'ple D. Rep.	Kip	10.00
Lebanon	Pound	4.6157
Lesotho	Loti	0.9667
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	1.7867
Luxembourg	Lux Franc	37.81
Macao	Pataca	5.816
Madagascar D. R.	Franc	281.35
Madeira	Port. Escudo	64.35
Malawi	Kwacha	0.8972
Malaysia	Ringgit	2.245
Maldive Is.	Rupee	3.95
Mali Rp.	Franc	562.70
Malta	Pound*	2.6304
Martinique	Franc	5.627
Mauritania	Ouguiya	56.27
Mauritius	Rupee	10.6516
Mexico	Peso	25.86
Miquelon	Fr. Franc	5.627
Monaco	Fr. Franc	5.627
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	5.2552
Mozambique	Metica	30.131
Namibia	S.A. Rand	0.9667
Nauru Is.	Aust. Dollar	0.8726
Nepal	Rupee	13.30
Netherlands	Guilder	2.458
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.1926
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	281.35
Nigeria	Naira (O)	0.6332
Norway	Krone	5.7125
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	9.84
Panama	Balboa	1.00
Papua N.G.	Kina	0.67
Paraguay	Guarani	126.00
Peru	Sol	487.40
Philippines	Peso	8.11
Pitcairn Is.	N.Z. Dollar	1.1926
Poland	Zloty (O)	31.00
Portugal	Escudo	64.35
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	5.627
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	1.9465
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	5.627
St. Vincent	E. Caribbean $	2.7025
Samoa Western	Tala	1.0666
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1194.50
Sao Tome & Principe DR	Dobra	38.5587
Saudi Arabia	Riyal	3.421
Senegal	C.F.A. Franc	281.35
Seychelles	Rupee	7.0934
Sierra Leone	Leone	1.1648
Singapore	Dollar	2.0525
Solomon Is.	Dollar	0.8839
Somali Rep.	Shilling (6)	6.35
	Shilling (7)	12.46
South Africa	Rand	0.9667
Spain	Peseta	95.52
Span. Ports in N. Africa	Sp. Peseta	95.52
Sri Lanka	Rupee	20.59
Sudan Rep.	Pound* (1)	1.1111
Surinam	Guilder	1.785
Swaziland	Lilangeni	0.9667
Sweden	Krone	5.4685
Switzerland	Franc	1.7867
Syria	Pound	3.9262
Taiwan	Dollar (O)	37.91
Tanzania	Shilling	8.1685
Thailand	Baht	23.00
Togo Rep.	C.F.A. Franc	281.35
Tonga Is.	Pa'anga	0.8726
Trinidad & Tobago	Dollar	2.4065
Tunisia	Dinar	0.5066
Turkey	Lira	128.72
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.8725
Uganda	Shilling	78.00
Utd. A'b. Emir.	Dirham	3.675
Utd. Kingdom	Pound Sterling*	1.9465
Upper Volta	C.F.A. Franc	281.35
Uruguay	Peso	11.44
U.S.S.R.	Rouble	0.7382
Vanuatu	Vatu	90.9414
	Aust. Dollar	0.8726
Vatican	Lira	1194.50
Venezuela	Bolivar	4.294
Vietnam	Dong (O)	2.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.57
Yemen PDR	Dinar	0.3415
Yugoslavia	Dinar	39.4378
Zaire Rp.	Zaire	5.4103
Zambia	Kwacha	0.8723
Zimbabwe	Dollar	0.7143

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate. (1) Sudan—By decree on 9/11/81 dual exchange rate abolished and Sudanese Pound devalued by 12 per cent. (3) Egypt—Floating rate fixed daily by Central Bank of Egypt for Importers, Exporters, Tourists. (4) Argentina: June 22 Two Tier Policy Adopted. Commercial: Fixed by Central Bank of Imports and Exports. (5) Argentina: Financial allowed to clean float. (6) Somali: Parallel exchange rates introduced July 1—for essential imports. (7) Somali: Exports and Non-Essential Imports and Transfers.

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (13)

BRITISH FUNDS (2)
Treas 8½pc 80-82 Treas. 3pc 82
INT. BANK (1)
Mex. 16½pc 2008
BUILDINGS (1)
Barratt Devs.
ELECTRICALS (1)
Pilko Hldgs
ENGINEERING (1)
Utd. Wire
FOODS (1)
British Sugar
NEWSPAPERS (2)
Link House Routledge Kegan
PROPERTY (1)
Federated Land
TEXTILES (1)
Atkins Brothers
OIL & GAS (1)
Claremont

NEW LOWS (13)

CANADIANS (1)
Massey Ferguson
CHEMICALS (1)
Leigh Interests
STORES (1)
Milletts Leisure
ELECTRICALS (3)
Dale Elec. Utd. Electronic Hadland (J.)
ENGINEERING (1)
Shaw (Francis)
INDUSTRIALS (4)
Gestetner A Wilkes (J.) Hoskins & Horton
OIL & GAS (3)
Ldn. Am. En. N.V. Chls Resources Do. Invs.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	70	15
Corns., Dom. and Foreign Bonds	7	8	58
Industrials	143	272	840
Financial & Props.	72	113	322
Oils	18	28	59
Plantations	1	6	16
Mines	77	17	39
Others	49	45	81
Totals	374	559	1,545

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 30	Dec 11	Mar 11	Mar 22
Dec 14	Dec 29	Mar 25	Apr 5
Jan. 4	Jan. 15	Apr. 15	Apr. 26

For rate indications see end of Share Information Service

Stocks favoured for the call included British Home Stores, Dunlop, ICL, Town and City Properties, Royal Bank of Scotland, Crest Nicholson, Lagandale Estates, Bellwaver, Charterhall, Britannia Arrow, Associated Fisheries and Mersey Docks. A put was taken out in GEC. No doubles were reported.

ACTIVE STOCKS

Stock	Closing price pence	Day's change
BP	326	−12
Burton	131	−4
Dawson Intnl	130	−11
GEC	778	−15
House of Fraser	174	−5
Pilkington	268	−10
Plessey	330	−10
Pres Brand	£19¼	+¾
Pres Steyn	£15¾	+¾
Racal Elect	417	−8
Unilever	603	−7
Utd Wire	65	+18

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thurs., Dec. 3, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed., Dec. 2 Index No.	Tues., Dec. 1 Index No.	Mon., Nov. 30 Index No.	Fri., Nov. 27 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	345.54	−1.2	10.08	4.57	12.23	349.66	348.74	351.64	349.44	292.43
2	Building Materials (25)	300.19	−0.6	15.07	5.74	7.59	301.91	305.15	307.47	305.83	242.26
3	Contracting, Construction (28)	526.48	+0.6	18.09	5.25	6.46	523.28	521.58	527.36	525.09	414.14
4	Electricals (30)	1186.97	−1.7	7.68	2.42	16.24	1206.91	1193.38	1200.38	1194.02	976.48
5	Engineering Contractors (9)	481.37	−1.4	13.16	5.76	8.87	488.42	489.73	491.63	491.12	362.64
6	Mechanical Engineering (66)	186.39	−1.6	11.32	5.84	11.29	189.36	189.64	191.61	190.13	177.76
8	Metals and Metal Forming (12)	161.74	−0.6	8.52	7.51	15.86	162.72	164.89	167.46	166.27	147.01
9	Motors (21)	91.47	−1.8	—	7.38	—	93.13	93.46	95.33	94.51	39.12
10	Other Industrial Materials (18)	366.30	−0.8	9.09	6.20	13.34	369.14	366.92	369.75	366.01	0.00
21	CONSUMER GROUP (198)	265.54	−1.3	13.50	6.21	9.12	269.07	268.17	271.59	269.43	243.95
22	Brewers and Distillers (20)	276.53	−1.7	16.26	7.82	7.41	281.24	277.24	279.31	274.40	271.17
25	Food Manufacturing (21)	260.28	−0.8	15.79	6.54	7.64	262.38	263.59	265.16	264.13	214.22
26	Food Retailing (15)	534.73	−0.8	9.94	3.66	12.17	538.97	534.98	540.57	537.93	445.56
27	Health and Household Products (7)	332.38	−1.9	9.40	4.82	12.44	338.97	341.31	347.39	346.96	241.09
29	Leisure (24)	421.15	+0.3	9.60	5.23	12.96	419.91	418.79	423.39	422.28	355.58
32	Newspapers, Publishing (12)	485.04	+0.6	12.71	6.22	11.40	482.36	482.11	492.03	478.06	433.38
33	Packaging and Paper (13)	130.79	−0.4	15.77	8.24	7.56	131.27	131.80	133.55	131.98	115.74
34	Stores (46)	236.29	−1.9	12.13	5.70	11.07	240.83	240.69	244.69	241.95	249.52
35	Textiles (23)	154.48	−1.7	9.86	6.38	13.24	157.13	156.18	158.71	157.62	122.06
36	Tobaccos (3)	251.02	−2.2	23.06	10.38	4.98	256.55	251.74	257.36	256.38	201.31
39	Other Consumer (14)	251.17	−0.5	7.67	7.19	21.58	252.42	253.76	255.89	251.94	0.00
41	OTHER GROUPS (80)	222.74	−1.2	10.97	6.24	11.75	225.41	223.34	225.77	224.90	217.42
42	Chemicals (16)	288.99	−2.5	5.52	6.21	30.43	296.54	292.42	297.44	297.58	297.49
44	Office Equipment (4)	110.04	−2.3	16.62	8.00	7.20	112.67	111.26	112.59	113.56	103.66
45	Shipping and Transport (13)	501.55	+0.5	21.37	7.37	5.57	499.27	496.95	499.94	494.54	557.81
46	Miscellaneous (47)	284.95	−0.1	12.35	5.65	10.01	285.24	283.74	285.42	283.13	265.29
49	INDUSTRIAL GROUP (487)	286.76	−1.2	11.85	5.58	10.44	290.37	289.25	292.38	290.46	255.83
51	Oils (13)	753.20	−2.6	18.90	7.49	5.90	772.93	771.12	773.85	770.61	998.41
59	500 SHARE INDEX	324.54	−1.5	13.16	5.94	9.18	329.44	328.26	331.37	329.29	313.85
61	FINANCIAL GROUP (119)	255.54	−0.9	—	5.95	—	257.77	256.74	260.42	258.73	238.37
62	Banks (6)	282.27	−1.6	31.63	6.67	3.72	286.92	283.29	291.82	289.20	245.41
63	Discount Houses (9)	259.67	+1.5	—	8.53	—	255.80	256.01	255.08	255.08	290.84
64	Hire Purchase (3)	226.31	—	13.75	8.17	10.07	226.31	225.76	225.76	225.76	212.76
65	Insurance (Life) (9)	253.92	−1.2	—	6.30	—	256.95	255.58	259.53	257.70	244.80
66	Insurance (Composite) (10)	161.87	−1.2	—	8.31	—	163.84	162.26	164.32	162.55	155.22
67	Insurance Brokers (8)	408.23	−0.5	11.41	5.93	11.87	410.19	411.46	416.74	417.85	325.78
68	Merchant Banks (12)	158.48	−0.3	—	5.43	—	158.86	151.87	152.23	151.51	149.59
69	Property (50)	456.24	−0.2	4.76	3.19	28.34	457.17	458.33	458.98	458.22	442.43
70	Miscellaneous (12)	173.00	−0.1	17.42	6.09	7.02	173.17	172.29	176.88	173.98	164.46
71	Investment Trusts (110)	287.77	−0.5	—	5.67	—	289.17	289.32	289.83	287.35	287.69
81	Mining Finance (4)	238.14	+0.3	14.47	5.97	8.32	237.48	237.08	242.36	242.00	286.05
91	Overseas Traders (17)	406.53	−0.8	12.98	7.83	9.40	409.76	412.99	414.98	412.69	434.02
99	ALL-SHARE INDEX (750)	309.03	−1.3	—	5.95	—	312.97	311.98	315.14	313.15	298.61

FIXED INTEREST

	PRICE INDICES	Thurs., Dec. 3	Day's change %	Wed., Dec. 2	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.35	+0.05	106.31	—	10.86
2	5-15 years	102.78	−0.37	103.18	—	12.86
3	Over 15 years	104.54	−0.49	105.06	—	12.60
4	Irredeemables	113.65	−0.34	114.04	—	11.23
5	All stocks	104.26	−0.29	104.56	—	11.22
6	Debentures & Loans	88.77	−0.01	88.80	—	10.68
7	Preference	60.55	—	60.55	—	6.68

	AVERAGE GROSS REDEMPTION YIELDS		Thurs., Dec. 3	Wed., Dec. 2	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
11	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12		15 years	[illegible]	[illegible]	[illegible]
13		25 years	[illegible]	[illegible]	[illegible]
14	Preference		[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	64.0	68.7	-0.6	2.11
Capital	58.7	61.6	.....	4.07
(Accum. Units)	50.0	54.0	.....	4.07
General	[illegible]	64.7	-0.2	4.77
Gilt & Fixed Int.	[illegible]	100.4	-0.4	13.82
Income	[illegible]	49.1	-0.3	8.75
Worldwide Bond	104.6	110.7	+0.2	6.65
Inv. Tst. Fd.	51.3	54.4	-0.3	4.95
Equitas Prog.	80.1	89.5	-0.2	4.36

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	94.1	83.5	-0.6	13.72

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds

Allied Ist.	90.2	96.5	-0.1	5.59
Brit. Inds. Fund	76.5	82.4	.....	6.15
Growth & Income	57.4	61.4	-0.1	4.07
Elect. & Ind. Dev.	45.4	48.6	-0.4	4.85
Allied Capital	98.1	105.0	-0.3	4.75
Hambro Fund	134.0	143.4	-0.5	5.86
Hambro Acc. Fund	197.1	210.9	+0.1	4.69

Income Funds

High Yield Fd.	64.7	69.3	-0.3	9.05
High Income	82.4	88.3	-0.2	7.26
Equity Income Fd.	47.5	51.0	-0.3	7.26
Govt. Secs.	22.9	25.5	.....	13.53

International Funds

International	26.3	28.0	+0.2	2.19
Japan Fund	29.4	31.5	+0.5	0.52
Pacific Fund	72.5	77.7	+0.8	1.40
Secs. Of America	84.2	90.1	-0.2	2.66

Specialist Funds

Smaller Co.'s Fd.	56.7	60.7	.....	3.87
2nd Smlr. Co.'s Fd.	69.3	74.8	+0.2	4.81
Recovery	27.7	29.8	-0.1	4.75
Met. Min. & C'dty.	64.8	69.3	-0.3	5.85
Overseas Earnings	79.5	85.1	-0.4	4.62

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632.

American (z)	27.9	30.2	-0.2	1.63
Australian (z)	25.4	27.2	.....	0.99
Far Eastern Tst. (z)	42.4	45.6	+0.1	1.14
High Income	33.5	36.1	+0.1	12.14
Intl. Trust (z)	48.8	52.5	.....	1.43
Basic Resources Tst.	48.7	52.4	+0.3	2.14
Inco. Growth Tst.	24.2	26.3	-0.1	8.50
Pref. & Gilt Tst.	18.7	20.1	.....	14.72
Smaller Co's Trust	28.2	30.6	-0.1	3.50

Chancellor Fund Managers (g)
57-63, Princess St., Manchester. 061-236 5685

Growth	15.5	16.7	.....	3.65
International	61.3	62.2	+0.5	1.77
High Income	27.6	29.8	.....	11.51

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	74.4	78.3	.....	3.69

For Cosmopolitan see Chancellor Fund Manager.

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BB. 01-248 4984

High Income	33.8	35.8	+0.1	12.42
North American	39.7	42.6	-0.7	2.67
Canadian Exempt*	66.4	70.4	.....	3.00
Canadian Trust	54.6	59.1	-0.7	3.06
Mid Mount High Inc.*	44.0	46.5	.....	10.30
Recovery	51.4	54.1	+0.1	3.88
Gilt Trust	38.1	41.0	-0.1	14.05

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.4	45.7	-0.2	0.54
Cres. Internat'l.	88.9	96.0	+0.3	1.56
Cres. High. Dist.	41.9	45.2	-0.1	9.64
Cres. Reserves	50.9	54.8	-0.1	5.46
Cres. Tokyo	40.0	43.2	+0.6	0.29

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.0	24.5	.....	8.98

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. Nov. 20	234.8	250.4	.....	5.30

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.4	20.5	.....	5.45

INSURANCE PROPERTY BONDS

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99 3/16	95 13/16	Treas. 8¼pc '80-82‡‡	99 3/16	+1/16	8.55	13.91
97 15/16	91⅞	Treasury 3pc '82‡‡	97 15/16	+⅛	3.07	13.90
107	99⅝	Treasury 14pc '82‡‡	99 13/16	......	14.02	14.47
99 13/16	98 3/16	Treas. Variable '82‡‡	99⅝xd	......	13.89	15.00
96⅞	93 15/16	Treasury 8¼pc '82	96⅞xd	......	8.51	14.21
96 7/16	93 15/16	Exch. 9¼pc 1982	96⅛	......	9.62	14.43
95½	92⅝	Exch. 8¾pc 1983	95½xd	......	9.16	13.40
92¼	84⅝	Exch. 3pc 1983	89⅝	......	3.34	12.15
99⅝	95	Treasury 12pc 1983‡‡	97⅛	......	13.36	14.48
99⅝	96¼	Treas. Variable '83‡‡	99 1/16	......	14.26	14.67
93⅝	90⅛	Treasury 9½pc '83	93⅞	+⅛	9.85	13.54
101 13/16	95⅝	Exch. 13½pc '83	98¼	......	13.74	14.54
94⅝	89¼	Exch. 10pc 1983	93½xd	+¼	10.73	14.38
88⅝	83½	Funding 5½pc '82-84‡‡	86	......	6.40	13.27
96¼	90	Exch. 11¼pc 1984	93¼	+⅛	12.06	14.85
103 5/16	95¼	Exchequer 14pc 1984	98½	+⅛	14.21	14.76
82⅝	77	Exch. 3pc 1984	80½xd	......	3.73	12.23
93⅝	90½	Treasury 12pc 1984	93½	......	12.83	14.87
107¼	95½	Treasury 15pc 1985	98⅞	......	15.17	15.38
98⅞	88¼	Exch. 12pc Cnv. '85	91⅜	−⅛	13.13	15.41
76	71	Treasury 3pc 1985	73½	+⅛	4.10	12.87
96 3/16	85¼	Treasury 11½pc 1985	88⅝	−¼	12.97	15.52
92⅝	87⅝	Exch. 12¼pc 1985	91¼	−⅛	13.42	15.26
97⅝	84¼	Exch. 11¾pc '86	88½	−⅛	13.29	15.55
70 3/16	65¼	Treasury 3pc 1986	69⅛	......	4.33	12.19
97 13/16	84½	Treasury 12pc '86	89xd	−⅛	13.48	15.49
88⅝	78½	Treasury 8¼pc '84-86‡‡	81½	......	10.43	14.08
40⅛	39½	Exch. 14pc 1986a(£40pd)	39½	−⅛	14.69	15.41

Five to Fifteen Years

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
105⅝	92¼	Exch. 13¼pc 1987	97⅜	−¼	14.32	15.38
81¼	71⅛	Funding 6½pc '85-87‡‡	75	−⅛	8.73	13.28
99½	81½	Treas. 12pc 1987	87⅛	−¼	13.93	15.67
81⅛	73¼	Treasury 7¾pc '85-88‡‡	77⅛	−⅛	10.42	14.11
65½	58⅝	Transport 3pc '78-88	61½xd	−¼	4.95	11.45
92¼	79½	Treasury 11½pc 1989	84⅞	−½	14.09	15.83
67¼	59⅝	Treasury 5pc '86-89	64	−¼	7.89	12.44
101½	88½	Treasury 13pc 1990‡‡	93⅝	−⅛	14.71	15.55
95 7/16	81⅝	Exch. 12½pc 1990	87	−⅛	14.79	15.92
80⅝	70¼	Treasury 8¼pc '87-90‡‡	71½xd	−⅛	11.45	13.98
93⅛	79½	Treasury 11¾pc 1991	85⅛	−¼	14.61	15.07
66¼	57	Funding 5¾pc '87-91‡‡	61	−⅛	9.57	13.35

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

CANADIANS—Continued

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Contd.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
45	32	Acmex 50c	45	......	Q2.5c	—	3.5
41	14	ACM 20c	23	+1	—	—	—
21	8	Argosy Gold NL 25c	9	......	—	—	—
229	136	Bond Corp.	150	......	Q10c	2.3	4.2
112	65	Bougainville I (Kna)	75	+5	‡Q25.4c	1.0	‡
302	160	CRA 50c	183	+1	Q19c	1.7	6.3
25	9	Canada Northwest	9½	−½	—	—	—
35	11	Carr Boyd 20c	13	−1	—	—	—
415	43	Central Pacific	60	......	—	—	—
35	3	Cons. Gold Min. N.L. 25c	3	......	—	—	—
47	13	Cultus Pacific N.L.	15	−1	—	—	—
68	22	Eagle Corp. 10c	24	......	—	—	—
40	18½	Endeavour 20c	23	......	—	—	—
560	310	G. M. Kalgoorlie 25c	375	+25	Q32½c	0.9	5.3
25	6½	Great Eastern	8½	+½	—	—	—
[illegible]	[illegible]	Greenbushes Tin 50c	60	−5	Q6c	1.9	6.1

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL MARKETS

[illegible]

OPTIONS

3-month Call Rates

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.U.S. 'A'	36	Trust Houses	11	Charter Cons.	21
Guardian	30	Tube Invest.	12	Cons. Gold	40
G.K.N.	12	Turner & Newall	7½	Lonrho	7
Hawker Sidd	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Friday December 4 1981

EEC CONSIDERS BUYING URANIUM FROM CHINA

Peking seeks nuclear links

BY ALAIN CASS, ASIA EDITOR

CHINA and the EEC are considering wide-ranging co-operation in the exploration, extraction and processing of nuclear fuel for peaceful purposes.

Detailed proposals have been submitted to the Chinese by the EEC Commission in Brussels. These may lead to an exchange of uranium experts and possibly to sales of Chinese uranium to the Community.

Although the joint plan is still only a Commission proposal and has yet to receive the backing of member governments, its significance lies in the fact that it was the Chinese who made the first approach.

Last April a team of EEC officials and geologists from several European countries visited China for talks. They were allowed to inspect uranium mines and processing facilities—the first westerners ever to do so. The team was led by Dr Michael Davies, then the Commission's Director of Uranium.

The team was received at the highest level and it was indicated, according to one member, that the Chinese were keen to establish technical links with the EEC. Such links were broken off with the Russians in 1960.

That visit was followed last week by a delegation led by Sir Roy Denman, the Commission's External Affairs Chief, which put a series of detailed proposals to the Chinese.

The Chinese are keen to get European help to convert their existing refining facilities to meet international commercial standards and the EEC delegation was told China would wish to sell uranium to the Community.

China's uranium operations are a closely guarded secret and come under direct army control. Official figures for reserves are not available. Some Western estimates put them as high as 800,000 tons, which would make China potentially one of the world's major producers.

The Commission will shortly propose to member governments the exchange of experts from Britain, France, Italy and Denmark. The British Government is understood to be sympathetic to the idea.

The Chinese are split over the desirability of inviting foreign help into this sensitive sector. China also has a strong anti-nuclear lobby, which favours developing coal reserves instead of pushing ahead with nuclear power.

EEC misgivings may arise following recent reports of the sale of unsafeguarded Chinese uranium to South Africa. Peking has hotly denied the reports.

Unsafeguarded uranium is nuclear fuel which is beyond the reach of the inspectors of the International Atomic Energy Agency, which polices the Non-Proliferation Treaty. China is not a member of the IAEA.

China attacks U.S. over Taiwan, Page 3

GEC lifts first half profit by 31%

BY GUY DE JONQUIERES

THE General Electric Company's pre-tax profit rose by 31 per cent in the six months ended September 30 to £247.8m (£189.7m). Turnover increased by 24 per cent to £2.3bn (£1.9bn).

Despite the good results, GEC shares closed last night at 773p, down 15p because of general market sentiment.

The results reflect improvements in the trading profit of most of GEC's mainstream activities, particularly its British electronics operations and some North American subsidiaries.

The company also said its holdings of cash and near-cash rose to £801m from £661m at the end of March. Profit attributable to interest earnings was lower at £26.5m, against £35.4m in the first half of last year.

The directors have declared an increase in the interim dividend to 4.25p per ordinary share (3.5p).

After deduction of profits attributable to interest earnings, associated companies and miscellaneous items, GEC's trading profit increased to £202.3m from £134m in the same period of the previous year.

The biggest profit increase was for UK-based electronics, automation and telecommunications. The improved pre-tax result of £85.5m (£55.4m) was due to better export delivery schedules and to changes in the business mix.

The profit on consumer products rose to £6.9m (£3m), and the figure for power engineering edged up slightly to £24m (£22.3m). Profit on industrial activities held steady at £21m (£20.8m) and fell to £18.7m (£20.7m) on components; cables and wire.

Overseas subsidiaries increased their profit to £39.7m (£29.2m). Much of the improvement was due to increased results from the Americas, where profits rose to £17.1m (£10.6m).

This was in spite of a break-even performance by two of GEC's biggest U.S. subsidiaries, the A. B. Dick office equipment company and Picker, which manufactures medical electronics.

Export sales during the six months totalled £504m (£430m) and export orders received amounted to £1.1bn (663m), helped by a £550m power station order from Hong Kong.

Companies Page 28

U.S. studies possibility of sanctions on S. Africa

By Quentin Peel, Africa Editor

The U.S. said yesterday it was consulting its major Western partners on the possible application of sanctions on South Africa for freeing 39 of the men who ended their abortive coup in the Seychelles last week by hijacking an Air India jet to Durban.

The French government also said it was studying the possibility of cutting air links with South Africa. Britain said it was "urgently seeking the facts" before making any statement.

The South African government's apparent kid-glove treatment of the mercenaries, 39 of whom were released without charge, and five others freed on bail, has presented Pretoria's major Western trading partners with a dilemma.

They are publicly committed to take retaliatory action — such as cutting off air links—against any country that fails to prosecute or extradite air hijackers. Yet such action against South Africa could jeopardise the negotiations to promote a peaceful settlement in Namibia.

For their part, South African ministers shrug off the flood of criticism both international and domestic. Mr Louis Le Grange, the Minister of Police, said the men "only shot out some windows and ran around the bush. You tell me what laws they broke in South Africa."

The U.S. has contacted Pretoria, presumably to pass on its earlier official condemnation of the coup attempt and the hijacking, and to call for "prompt and severe" punishment of those involved.

The Pretoria authorities have refused to give their reasons for releasing the hijackers. However, they are quietly spreading a claim that the captain of the hijacked aircraft willingly agreed to fly the mercenaries to South Africa. Air India has denied this.

The Seychelles government has published the names of 10 Britons said to have taken part in the operation. These are in addition to Bernard Carey who was captured on the island.

Meanwhile, Mr Ernie Ross, MP for Dundee West, tabled a question in Parliament yesterday urging the Government to take the same action it took earlier in the week against the Afghan national airline and to cancel all flight connections between South Africa and Britain.

The Afghan Government was accused of failing to take action against hi-jackers who commandeered a Pakistani aircraft.

Editorial Comment, Page 24

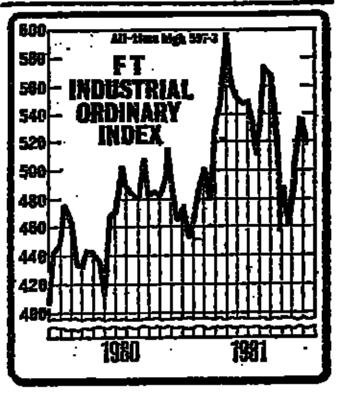
THE LEX COLUMN

High voltage from GEC

An easing of the one-week money rate yesterday morning opened the window of lower base rates, and in one bound NatWest was through. The half point/cut, to which the authorities seem perfectly attuned (while not yet suggesting there is more to come), looks for all the world like a spontaneous reaction to the Chancellor's package. Sir Geoffrey Howe will have to be very hard-hearted to come up with another windfall profits tax now.

But the gilt-edged market turned up its nose—even though there was a parallel relaxation in Germany, where the Bundesbank shaved its special Lombard rate. And the 30-Share Index showed an 11.1 point fall, with more damage to the shares of those companies—John Brown and Pilkington—which had come out with bad news on Wednesday.

Index fell 11.1 to 519.9



GEC

The underlying performance at GEC remains very strong, with sales in the half year to September up by 24 per cent and reported profits 31 per cent higher at £247.8m. This figure includes a number of special credits and debits—gains on currency deposits, provisions and gilt-edged write-offs—which more or less cancel each other out.

The obvious feature in the half year is a big jump in profits from electronics, automation and telecommunications, compared with what was a comparatively dull period last year. Just as impressive, though, is the outcome in some of the more troubled sectors of UK industry, such as gas turbines or the Hotpoint consumer durables business. Export orders are substantially higher, even after stripping out the impact of big power station contracts in both periods.

Working capital is more or less unchanged in sterling terms, which largely explains a £140m increase in the cash balances to £801m since the year end. GEC's recent experience has not made it any more enthusiastic about acquisitions. Avery in the UK and A.B. Dick in the U.S. are still doing badly, and Picker has not made any profits on sales of about £150m, although it seems to be responding to treatment. And it still seems most unlikely that GEC has any radical de-merger plans in mind.

Instead, the group will continue in roughly its present shape, with dividend growth outstripping the rate of inflation in the foreseeable future. Profits growth will probably fade somewhat over the rest of the year, but the dividend should still be up by more than a fifth.

Royal Bank

Thoroughly down in the dumps at half-time, the Royal Bank of Scotland Group subsequently appears to have undergone a personality change. Pre-tax profits have jumped from £42.2m in the October-March period to £65.7m in April-September. Clearly this sudden revitalisation—which takes the full year's profits up from £102.5m to £107.9m—and allows a 10 per cent rise in the dividend—will provide a stronger negotiating platform should the Monopolies Commission report make one necessary. So could the decision to release £27.5m of deferred tax provisions, which help to take net worth to above 260p a share, against a share price of 190p and rival take-over offers worth around 215p last spring.

Specific reasons for the second half improvement include a £4m drop in bad debt charges and a less conservative method of accounting for leasing profits. Loan volume has risen sharply, and lending margins have improved, offsetting the adverse base rate movement. Despite the good results the price of the shares rose only 3p to 190p yesterday; depending on what the Commission decides, the shares are either much too cheap or much too dear.

Plessey

After its sprint last year, Plessey is settling into an impressive long stride. Underlying volume has risen by about a fifth and, helped by a considerably lower level of provisions, trading profits have risen by 25 per cent. An added shine to the figures derives from the transformation of the balance sheet. Plessey now has net interest receivable and pre-tax profits for the first half work out a third higher at £51.3m.

The company's capital programme of £47m this year will be more or less funded out of depreciation and disposals. From now on, the development emphasis will switch towards current expenditure such as marketing and software research, as Plessey works to reduce its dependence on British Telecom and UK defence. Within the strong order books there are some encouraging signs here: as well as the 21 System X orders confirmed yesterday, the group has recently won important contracts in the U.S. for flight data recorders and for a sonar study programme. At 330p, down 10p yesterday, the shares produce a prospective yield of 4 per cent.

BP

Like Shell, BP has experienced a considerable improvement in its oil product businesses in Western Europe in the third quarter; current margin net losses here have fallen from well over £200m in the second quarter to the region of £100m. This reduction reflects the erosion of the Aramco partners' cost advantage and favourable currency movements rather than better demand, but it is no less welcome for that. Net of stock and currency items, but before deducting minorities, group net income is up from £74m to £257m: after minorities the group is back in profit—roughly speaking to the extent of Sohio's £130m contribution.

If anything, this is a more rapid recovery than had been anticipated, but the equity market seemed disappointed with the relatively low level of reported net income, £203m against £201m in the second quarter, and the shares fell 12p to 324p. This figure was influenced by the low level of stock profits in the period: it seems likely that actual stock losses will depress the final quarter's reported figure.

BP's downstream margins remain vulnerable to any burst of strength in the dollar, but the industry seems to have stopped destocking, and capacity reductions should soon feed through to the supply/demand balance. Meanwhile BP's yield of 8.9 per cent is nowhere near justified by current cost earnings—1.1p a share after nine months compared with an annual dividend of 20¼p.

Times may be printed in France

By Christian Tyler, Labour Editor

THE TIMES has been investigating the possibility of using facsimile transmission to print its daily Continental sale of 20,000 copies.

Times Newspapers and its new owner, News International, said yesterday that no decision had been made. They said there was no intention to launch an international national edition like the Financial Times operation in Frankfurt, West Germany.

Mr Gerald Long, managing director of Times Newspapers, has been studying the feasibility of transmission to Lille, near Belgium, where a French press distribution network runs facsimile printing.

The search of a Continental printing outlet is prompted by difficulties experienced by the Times — and other British newspapers with Continental sales — with air services from the UK.

Mr Long said the company was not seeking to build an operation abroad. "It's not a great disguised plan to print The Times somewhere else," he said. The company was "only looking at the possibility of a contractor printing the few thousand copies sold abroad."

The Times, its supplements, and the Sunday Times were acquired by Mr Rupert Murdoch's News International from the Thomson Organisation in February.

Matthews pledge, Page 12

Steel union breaks off talks on local pay and threatens action

BY BRIAN GROOM, LABOUR STAFF

THE BIGGEST steel union last night broke off talks on British Steel Corporation's plan for local pay deals and gave a clear threat of industrial action if redundancy notices issued to workers at the Port Talbot plant in South Wales are not revoked.

Anger was expressed at a meeting of the Iron and Steel Trades Confederation's executive council after it emerged that the corporation's "final position" yielded in full none of the major concessions the union was seeking.

BSC wants to negotiate next year's pay deals at local level only, linked to a further round of up to 19,000 job cuts. More than 40,000 workers in the craft and general unions and the National Union of Blastfurnacemen—over one third of the workforce—have agreed to local deals.

ISTC leaders put differing interpretations on the decision to halt discussions. Some saw it as referring simply to pay and redundancies, but others regarded it as a rupture of communications throughout the corporation on all issues except health and safety.

The union has not yet, however, decided to draw up the claim for a national pay rise BSC insists it cannot afford.

The ISTC is incensed by the 492 redundancy notices at Port Talbot. About half of the notices have been issued to its members. The union claims that the issuing of them last month before it has agreed to local negotiations on job cuts was an attempt to frighten it into submission.

If these are not revoked, the executive council will meet again to consider industrial action. Options include an overtime ban and a "rolling" series of consecutive one-day strikes in different plants.

BSC has not satisfied the union on its demands for a one-hour cut in the working week to 39 hours from January, a reduction of the job cuts, an undertaking that any redundancies will be voluntary, and for the locally-negotiated rises to be paid on basic rates rather than on bonus schemes.

The corporation has offered a 39-hour week from January 1983. The ISTC requested that the issue be referred back to Lord Lever, who recommended the one-hour cut as part of the settlement of the national steel strike 20 months ago. The union says BSC has reneged on a commitment to implement it next January.

Weather

UK TODAY

SOME RAIN in central and southern England, clearing later. Showers, becoming more persistent, in the north.

London, Southern England, Midlands, Channel Is, S. Wales
Cloudy with drizzle, clearer later. Max. 13C (55F).

N. and E. England, Lake District, I.o.M., N. Wales, Borders, S Scotland, N Ireland
Showers and sunny intervals, perhaps more persistent rain later. Max. 9C (48F).

Elsewhere
Mostly cloudy with some rain. Max. 8C (46F).

Outlook: Some rain, snow over northern hills, bright intervals. Cool.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	13	55	L. Ang.†	F	11	52
Algiers	R	10	50	Luxmbg.	Fg	−1	30
Amsdm.	C	7	45	Luxor	S	24	75
Athens	C	16	61	Madrid	S	10	50
Bahrain	F	22	72	Majorca	F	13	55
Barclna.	S	10	50	Malaga	S	17	63
Beirut	F	18	64	Malta	R	17	63
Belfast	F	10	50	M'chstr.	R	9	48
Belgrd.	C	2	36	Melbne.	S	21	70
Berlin	C	2	36	Mx. C.†	—	—	—
Biarritz	S	8	46	Miami†	F	22	72
Bmghm.	C	11	52	Milan	S	6	43
Blackpl.	C	9	48	Montrl.†	C	4	39
Bordx.	F	7	45	Moscow	C	0	32
Boulgn.	C	8	46	Munich	Sn	−1	30
Bristol	F	11	52	Nairobi	C	25	77
Brussels	F	5	41	Naples	C	9	48
Budpst.	C	3	37	Nwcstl.	C	11	52
Cairo	F	20	68	N York†	C	7	45
Cardiff	F	11	52	Nice	S	12	54
Cas'blca	S	19	66	Nicosia	S	18	64
Chicg.†	F	5	41	Oporto	S	12	54
Cologne	C	3	37	Oslo	C	−3	27
Cpnhgn.	R	5	41	Paris	F	5	41
Corfu	C	12	54	Perth	C	18	64
Denver†	F	9	48	Prague	F	1	34
Dublin	C	9	48	Reykjvk.	C	4	39
Dbrvnk.	S	7	45	Rhodes	C	18	64
Edngh.	C	10	50	Rio J'o†	—	—	—
Faro	S	17	63	Rome	S	11	52
Florence	F	9	48	Salzbrg.	Sn	0	32
Frankft.	S	−1	30	S F'rsco†	F	8	46
Funchal	S	20	68	S'tiago†	—	—	—
Geneva	F	3	37	Stckhm.	C	3	37
Gibraltar	S	20	68	Strasbg.	C	0	32
Glasgow	C	10	50	Sydney	S	32	90
G'rnsey	R	9	48	Tangier	S	19	66
Helsinki	Sn	3	37	Tel Aviv	S	20	68
H. Kong	S	16	61	Tenerife	S	22	72
Innsbrk.	F	0	32	Tokyo	S	10	50
Invrnss.	R	11	52	T'ronto†	F	1	34
I.o.Man	F	10	50	Tunis	R	10	50
Istanbul	C	8	46	Valencia	S	13	55
Jersey	C	9	48	Venice	S	7	45
L. Pms.	S	21	70	Vienna	Sn	2	36
Lisbon	S	11	52	Warsaw	C	0	32
Locarno	S	9	48	Zurich	C	−1	30
London	C	8	46				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. † Noon GMT temperatures.

World Bank to increase lending

BY DAVID BUCHAN IN WASHINGTON

THE World Bank plans to increase lending under its "structural adjustment" programme to well over $1bn (£525m) of a tenth of its total loans, in the year to next June, according to senior bank officials.

Only nine countries have received loans under the two-year-old programme. It gives immediate balance-of-payments loans if recipient countries agree to make "structural" policy changes.

The bank is negotiating with five more countries—South Korea, Thailand, Pakistan, Jamaica and Togo—on future structural-aid loans, Dr Stanley Please, a senior bank official said.

Efforts to boost structural lending, from less than $800m (£412m) in 1980-81, are part of the new management plans for the World Bank Mr A. W. (Tom) Clausen, who took over as president in mid-summer.

Structural-aid loans differ from the bank's traditional lending for specific development projects in the Third World. The programme is backed by industrialised-country shareholders of the bank. They approve the injection into World Bank lending of an element of "conditionality," as practised by the International Monetary Fund (IMF).

The roles of the two Washington-based institutions are theoretically quite distinct. The World Bank lends long-term to finance specific development projects in the Third World: the shorter-term credits of the IMF are open to all countries faced with balance-of-payment crises.

The World Bank's structural aid, however, designed to shore up payments deficits in the interest of promoting development, somewhat blurs this distinction.

Objections to the World Bank scheme have come from the developing countries. Many would like to receive the balance-of-payments loans from the bank but few have been willing to meet the conditions. These may involve raising food prices and cutting out industrial and energy subsidies.

Dr Please, the bank's senior adviser on the structural aid programme, said it was obvious far more countries needed to make sweeping policy changes than the nine which have signed structural loan agreements with the bank so far. These are Bolivia, Guyana, Kenya, Ivory Coast, Malawi, Mauritius, the Philippines, Turkey and Senegal.

Dr Please acknowledged that governments found it politically difficult to make the changes on which the bank insisted, but it was of pressing importance to eliminate industrial subsidies or trade-protection.

Continued from Page 1

Foot

have to swallow some of his worries about expulsions and persuade the executive to refuse to endorse Mr Tatchell, on the ground his views on parliamentary democracy make him unfit to be a Labour candidate.

Such a move would be highly unusual. Yesterday left-wingers were claiming it would be reminiscent of the witch-hunts by the Labour right in the 1950s. Until now, Mr Foot has been desperate to avoid any repetition of that kind of situation.

There has been a long-running battle between the far left and the right in the Bermondsey constituency. About 18 months ago the far left took control. Last year Mr Bob Mellish, former Labour whip and an MP for Bermondsey, said he wanted to resign. He was persuaded to stay on for a few more months but now seems set to go next year.

His seat could provide an opportunity for Mr Roy Jenkins to make his second attempt to get back into Parliament, for the Social Democrats. Yesterday it was a taunt from Mr James Wellbeloved, an SDP MP, that provoked Mr Foot into denouncing Mr Tatchell.

Mr Foot had not planned to say anything before Monday's meeting. There was some confusion after his outburst about precisely what he had said.

BL dispute

Continued from Page 1

rejected by Longbridge shop floor leaders. Further discussions brought a proposal for a four-week "cooling off" period to enable negotiations to continue.

Union officials poured scorn on that suggestion, and negotiations on Wednesday night produced the latest formula.

The management concessions apply only to workers directly related to the speed of the assembly tracks, where relaxation time is regarded as more important. Most of BL's 32 car plants are already working to the original reduced rest periods.

The Longbridge dispute, which has halted the Metro, Mini and Allegro models, has already caused the loss of around 24,000 cars at a showroom price of around £95m.

John Lloyd adds: Unions in the engineering industry yesterday formally accepted the 5.06 per cent offer from the Engineering Employers Federation, which will affect some 1.8m engineering workers. The acceptance, a unanimous vote by the executive of the Confederation of Shipbuilding and Engineering Unions, was widely expected following agreement on the offer by the industry's dominant union, the Amalgamated Union of Engineering Workers.

Mr Terry Duffy, president of the AUEW, pointed out after the executive meeting that local negotiators could improve on the deal. However, early indications are that many EEF member companies are settling for rises of below 5 per cent.

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